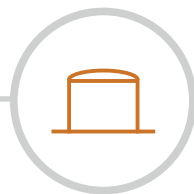
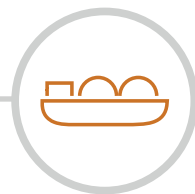
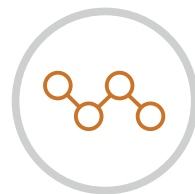




ANNUAL FINANCIAL  
REPORT **2018**



**FLUXYS**

FLUXYS 

- » **Sustained sales of transmission capacity – p. 41**
- » **Sharp increase in the terminalling of large volumes of LNG at the Zeebrugge facility – p. 44**
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**1. MESSAGE FROM  
THE CHAIRMAN  
AND MANAGING  
DIRECTOR**

Gas infrastructure is particularly cost efficient and offers crucial system value in the development of a carbon-neutral economy with better air quality. The energy Fluxys transports, natural gas, has the best emissions profile of any fossil fuel and is therefore essential to bringing the energy transition forward. We are also preparing for the inflow of green gas and other solutions to further cut emissions.

Fluxys made excellent progress in implementing its strategy in 2018. Our infrastructure demonstrated its operational strength, we maintained a good level of capacity sales, projects for new capacity in Europe remained on track, and our assets also experienced considerable growth. Fluxys has also taken important steps forward in innovation and new growth areas. We have laid the groundwork for growth outside Europe to ensure that we can make the same well-considered decisions we do within Europe. At the same time, the group performed well financially.

The driving force behind our excellent performance in 2018 are the men and women at Fluxys, and we would like to sincerely thank them for helping the company to flourish. Their efforts, team spirit and commitment mean that we can face the future with confidence.

## A year of success for our core activities in Europe

Against the backdrop of a European gas infrastructure capacity market that is increasingly becoming a short-term market, 2018 was a strong year for Fluxys, both commercially and operationally. Thanks to a customer-oriented approach and continued focus on competitive tariffs, the Fluxys group companies successfully responded to short-term demand on the market. The commissioning of the Reverse Flow project in Switzerland and Germany also brought about associated capacity bookings. Furthermore, in Belgium a new tariff methodology has been devised together with the national regulator for the period 2020-2023. This methodology will further boost the competitiveness of our services and lay the foundations of a better allowed return.

The group has also worked hard on realising its growth ambitions in Europe. The Dunkirk LNG terminal became part of the Fluxys group, we acquired a stake in Greece's national natural-gas system operator DESFA, and increased our shareholding in the Interconnector pipeline. In industrial terms, we have both considerably bolstered our position as an LNG operator and upped our presence in Greece, which has the potential to become a hub for natural gas in Southeast Europe.

At the same time, the group has firmly focused on investment projects intended to ensure growth in the future, namely the construction of the fifth storage tank at the Zeebrugge LNG terminal, the construction of the Trans Adriatic Pipeline in Greece, Albania and Italy, and the construction of the EUGAL pipeline in Germany.

“FLUXYS HAS WORKED  
HARD ON REALISING ITS  
GROWTH AMBITIONS IN  
EUROPE”

## Stronger financial basis

The Fluxys group also performed well financially in 2018. We managed to generate a turnover of close to €1 billion, despite the expiry of long-term contracts for the Interconnector pipeline in September and the fact that Dunkerque LNG's contribution was limited to two months of the financial year. Profit for the financial year was positively influenced by the revaluation of the initial 25% stake in Dunkerque LNG and the sale of our shareholding in Swedegas. Even without these one-off elements, profit evolution was positive.

“THE GROUP'S  
BALANCE SHEET TOTAL  
ROSE 30% TO €8.6  
BILLION THANKS TO  
THE INCORPORATION  
OF DUNKERQUE LNG”

The group's balance sheet total rose 30% to €8.6 billion thanks to the incorporation of Dunkerque LNG. The successful completion of project financing for the Trans Adriatic Pipeline also meant that almost €500 million was returned to the company. The group also has bolstered its financial soundness thanks to its ever-better solvency. With regard to returns, taking into account the current investment programme (the Trans Adriatic Pipeline, the EUGAL pipeline and the fifth storage tank at the Zeebrugge LNG terminal), Fluxys is proposing a dividend similar to that of the previous financial year.

## Groundwork laid for investment outside Europe

Fluxys has become a preferred partner for gas infrastructure projects in Europe and we want to play this role outside Europe too. Though Europe remains our core market, we are expanding our sights elsewhere, to areas expecting a sharp increase in demand for natural gas. In 2018, Fluxys explored various projects and made extensive contact with potential partners, consequently laying the groundwork for well-considered decisions when it comes to projects outside Europe.

## Progress in new areas of growth

The fact that gas and gas infrastructure can help fight global warming and air pollution is opening up new growth areas for Fluxys. As a result, in 2018 we focused heavily on projects facilitating the use of LNG as an alternative fuel for shipping and heavy freight.

In Belgium, we became active in the LNG supply chain at the Port of Antwerp, and recently joined forces with Titan LNG to build a bunkering pontoon intended to make LNG even more widely available as shipping fuel in the Port of Antwerp and its surroundings by 2020.

In France, a project is under way at the Dunkirk LNG terminal to berth LNG bunkering vessels, while in Germany Fluxys has teamed up with Novatek on a project to build a mid-scale LNG terminal at Rostock Port with a view to providing facilities to distribute LNG as fuel for vessels in the Baltic Sea and to load LNG trailers. With regard to the latter activity, a second loading station became operational at the Zeebrugge LNG terminal, while a similar station will be commissioned at the Dunkirk LNG terminal in 2019.

"IN 2018, FLUXYS FOCUSED HEAVILY ON PROJECTS FACILITATING THE USE OF LNG AS AN ALTERNATIVE FUEL FOR SHIPPING AND HEAVY FREIGHT"

The inflow of green gas is another major area of growth. To this end, we worked with the gas federation and distribution system operators in Belgium to set up a system allowing consumers to buy green gas just as they can buy green electricity. Fluxys has also joined forces with Colruyt to develop an industrial power-to-gas facility to convert green electricity into green hydrogen.

Carbon capture, reutilisation and storage is another key area as it offers a way to fight global warming in some cases, for industry in particular. Fluxys is working with a number of partners in this regard, including the Port of Antwerp.



## Gas infrastructure as a cornerstone of the future energy system

In order to keep promoting the fundamental role of gas and gas infrastructure in the energy system, throughout the year the company continued to highlight the importance of pragmatic reflection on the future of energy at public forums and to Belgian and European authorities and policymakers.

Electricity currently covers around 20% of the energy consumed by homes and businesses in the European Union. Only a third of this electricity comes from renewable sources and a lot of effort is still required for this share to reach 100%.

"GAS INFRASTRUCTURE HAS GREAT SYSTEM VALUE FOR THE FUTURE: IT OFFERS A SOLUTION FOR THE INCREASING DEMAND FOR ENERGY STORAGE AND PREVENTS THE NEED FOR SIGNIFICANT INVESTMENT ELSEWHERE IN THE ENERGY SYSTEM"

Greening the remaining 80% of energy consumption poses another challenge. Petroleum products and solid fuels currently account for more than half of this 80%, so we need gas infrastructure to cut emissions: today infrastructure for natural gas which is considerably less polluting, and tomorrow for green gas.

With this in mind, it is vital that Fluxys infrastructure can play its role in full. After all, gas infrastructure is the key to reducing greenhouse gas emissions and air pollution at a more rapid pace and on a broader basis. Gas infrastructure also has great system value for the future: it offers a solution for the increasing demand for energy storage and prevents the need for significant investment elsewhere in the energy system.

Pascal De Buck  
Managing Director and CEO

Daniel Termont  
Chairman of the Board of Directors



## 2. FLUXYS IN A NUTSHELL

## Independent gas infrastructure company

**Independent company.** Fluxys is a gas infrastructure company and is responsible for the development, financing, construction, operation and maintenance of gas infrastructure. The company is a key player in the international transmission of natural gas and its offering combines natural gas transmission and storage as well as the terminalling of liquefied natural gas (LNG).

As an independent company, Fluxys has no interests in the generation or sale of energy. The company's revenue is derived from the sale of capacity in its infrastructure and associated services.

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

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

## Our vision

### **Fluxys, the reference as a worldwide partner in gas infrastructure**

Over the past decade, Fluxys has become a reference partner for gas infrastructure projects and companies throughout Europe. We want to continue evolving and strive to become a preferred partner for gas infrastructure outside Europe also.

## Our mission

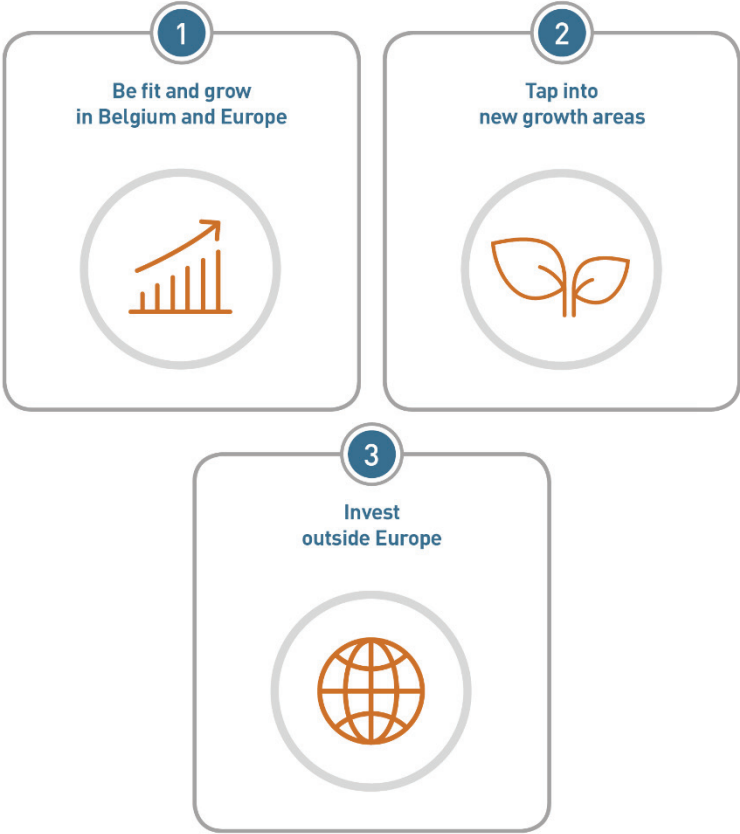
### **As an independent gas infrastructure company, Fluxys contributes to a sustainable energy future. Our passionate teams provide the market with a reliable, affordable energy supply.**

For society to thrive, it needs a reliable influx of energy 24/7, while climate challenges, air pollution and socio-economic imperatives require this energy to be both sustainable and affordable.

Fluxys is determined to advance the energy transition. Natural gas and green gas have a vital role to play in the development of a carbon-neutral economy with better air quality, so our gas infrastructure is key to a smooth, successful energy transition. It is a necessary complement to electricity infrastructure and an indispensable component of a reliable, sustainable and affordable energy system.

We rely on our major assets to deliver on our role in society. Our experienced and passionate teams are our first asset: they are the source of the commitment and creativity we need to be successful in the ever-changing world of energy. Our independence is our second asset. As we have no interests in the generation or supply of energy, we focus solely on the social value of our infrastructure.

# Our strategy



## Present throughout Europe



## Our values

**Customer focus** - We pay close attention to our surroundings and we listen to our customers' needs. This approach provides the driving force enabling us to achieve the results we strive for.

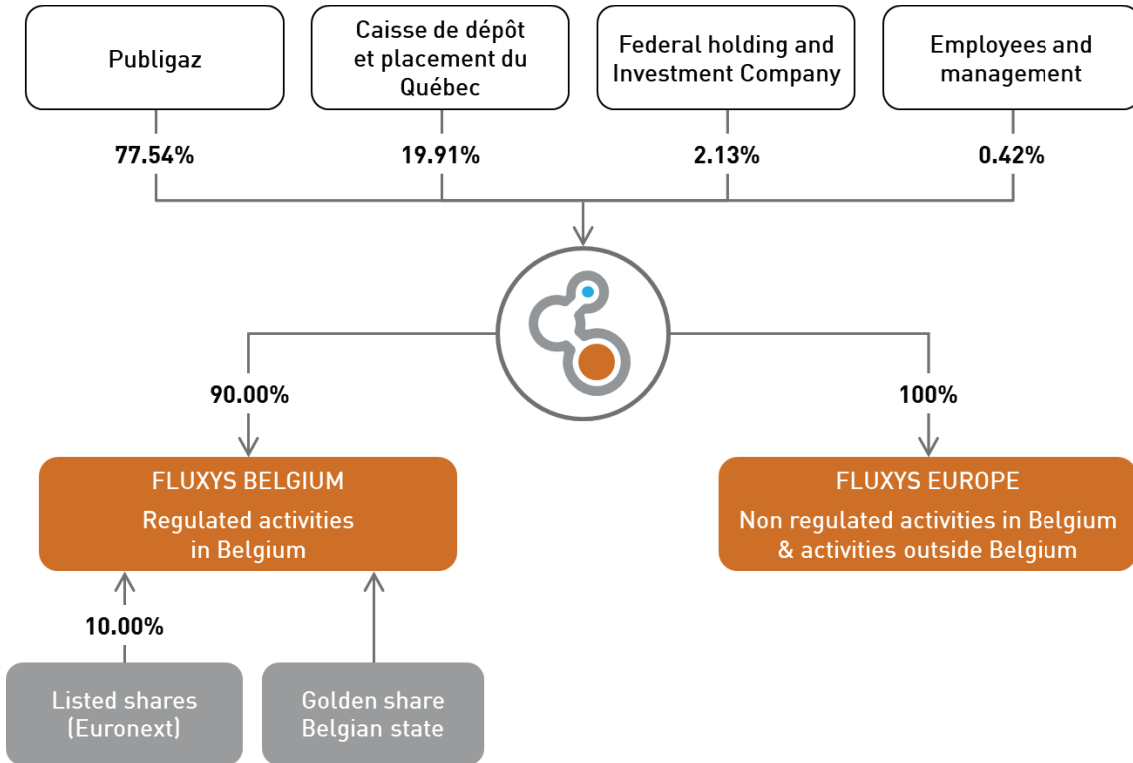
**Cohesion** - For us, cooperation and team spirit are key to jointly achieving our desired results.

**Professionalism and commitment** - We are committed to achieving our results by adopting an efficient approach and ensuring that we are guided by best practices in everything we do. We systematically enhance our expertise and continually seek creative, cost-effective solutions.

**Safety and environment** - The safety of our facilities is our top priority, because we are responsible for the transmission of a type of energy that entails risks. In the same spirit of sustainability, we strive to minimise the environmental impact of our operations whilst keeping a close eye on well-being in the workplace.

**Good neighbourly relations** - We provide services of general economic interest and have to ensure that our activities are properly integrated into society. Through open dialogue, we want to establish good relations with all those affected by the construction and operation of our facilities.

## Shareholders and company structure as at 27 March 2019





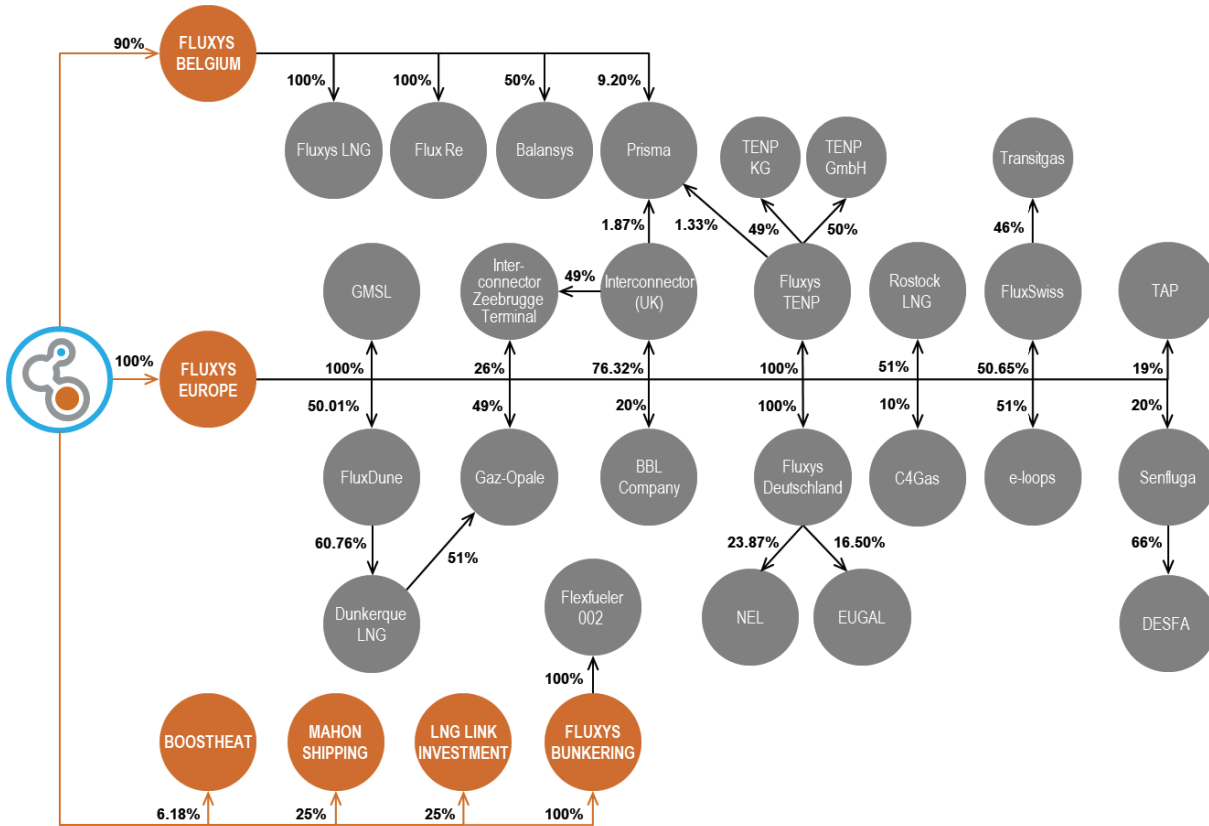
**Publigaz** manages the interests of Belgian municipalities in Fluxys.

**Caisse de dépôt et placement du Québec** is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). Caisse has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe.

The **Federal Holding and Investment Company** is a federal Belgian holding company set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.

Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

## Simplified structure of the Fluxys group as at 27 March 2019



## Composition of the corporate bodies as at 27 March 2019

### Board of Directors

- Daniel Termont, Chairman of the Board of Directors
- Claude Grégoire, Vice-Chairman of the Board of Directors
- Pascal De Buck, Managing Director
- Jos Ansoms
- André Boulanger
- François Fontaine
- Andries Gryffroy
- Luc Hujoel
- Renaud Moens
- Chantale Pelletier
- Josly Piette
- Christian Viaene

### Audit Committee

- Renaud Moens, Chairman of the Audit Committee
- Luc Hujoel
- Christian Viaene
- Patrick Côté
- Ludo Kelchtermans
- Pascal De Buck, Managing Director (invited in an advisory capacity)

### Appointment and Remuneration Committee

- Christian Viaene, Chairman of the Appointment and Remuneration Committee
- Luc Hujoel
- Pascal De Buck, Managing Director (invited in an advisory capacity)

### Management Team

The Management Team is responsible for the day-to-day and operational management of the company. The Management Team also makes investment proposals to the Board of Directors within the framework of the company strategy.

- Pascal De Buck, Managing Director and CEO
- Arno Bûx, Chief Commercial Officer
- Paul Tummers, Chief Financial Officer
- Peter Verhaeghe, Chief Technical Officer

**3. GAS INFRASTRUCTURE:  
CORNERSTONE OF A  
CARBON NEUTRAL  
ENERGY SYSTEM**



The latest United Nations climate report and figures on urban air quality are clear: comprehensive action is needed to reduce greenhouse gas emissions and air pollution. The objective is just as clear: the energy system must be carbon neutral by 2050.

The energy transition needed to achieve these aims poses three fundamental challenges:

- securing sustainable energy that spares both climate and air quality
- continuing to ensure security of supply
- building an affordable energy system

Fluxys believes that the best way to solve the three challenges posed by the energy transition is to open-mindedly and pragmatically combine electricity, natural gas and renewable energies including green gas.

Gas infrastructure thereby serves as a cornerstone of the future carbon-neutral energy system.

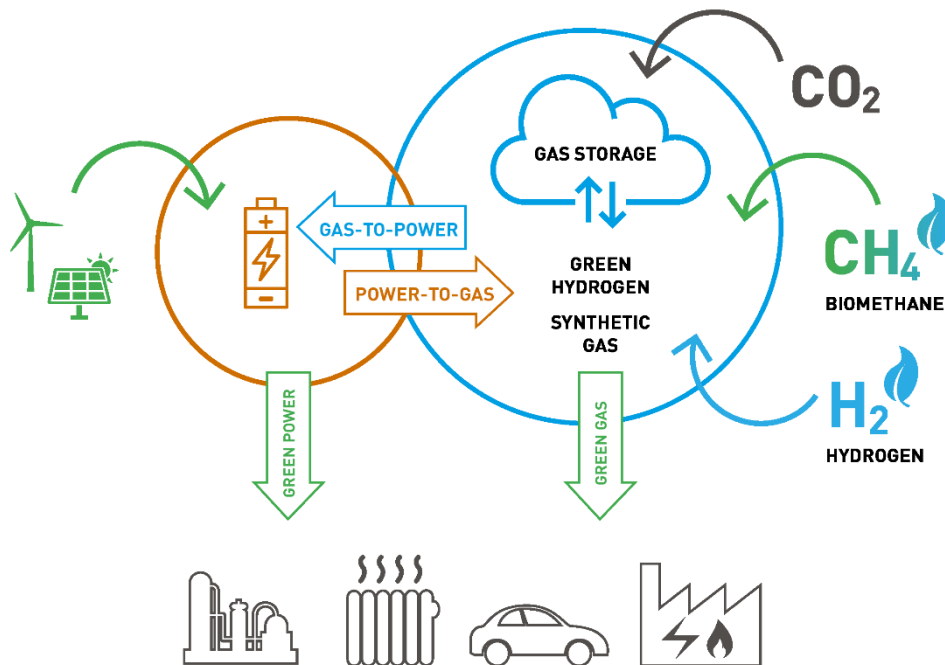
## Gas infrastructure: three core assets

The key to a successful energy transition is using the right energy in the right application and ensuring optimum complementarity between the gas and electricity systems. Gas infrastructure offers several core assets in such a dual energy system.

1. **Transmission of green gas** – Natural gas networks currently only transport natural gas, but in the future existing infrastructure could also transport flows of green gas: biomethane, synthetic gas and, under certain conditions, hydrogen. The infrastructure is also suitable for transporting CO<sub>2</sub>.
2. **Huge capacity and flexibility** – Gas infrastructure offers the energy system of the future the capacity required to meet the need for both more low-emission energy and more flexibility to provide back-up for variable wind and solar power generation.
3. **Cost efficiency** – Using existing gas infrastructure to fulfil future energy needs lowers the level of investment in the energy system as a whole. Gas infrastructure itself is also particularly efficient because gas has a high energy density.

## The future energy system

Energy efficiency, green electricity, green gas, and optimum interaction between gas and electricity infrastructure are the most important building blocks of a sustainable, affordable and reliable energy supply. In such a multi-energy, carbon-neutral system, gas infrastructure is key to offering sufficient capacity, storage and flexibility to satisfy future energy demand.



## Two pillars for shaping the future energy system

### 1. Make maximum use of gas infrastructure to transport and store energy

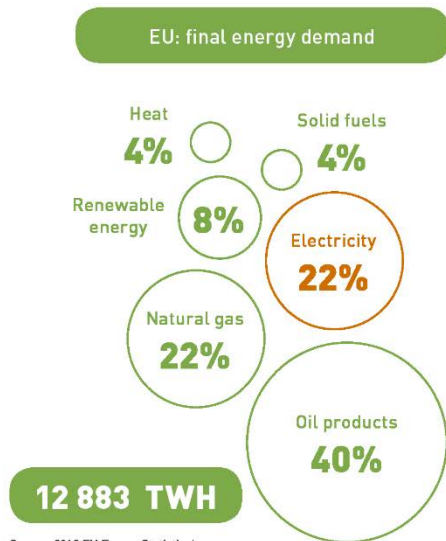
The energy transition is a huge challenge. If we want to spare the climate and tackle air pollution, we need to utilise all resources at our disposal, including making maximum use of gas infrastructure. Gas as an energy carrier and the capacity offered by the gas system are necessary to secure a flexible supply of large quantities of green energy to current and future generations.

#### Supplying sufficient quantities of green energy

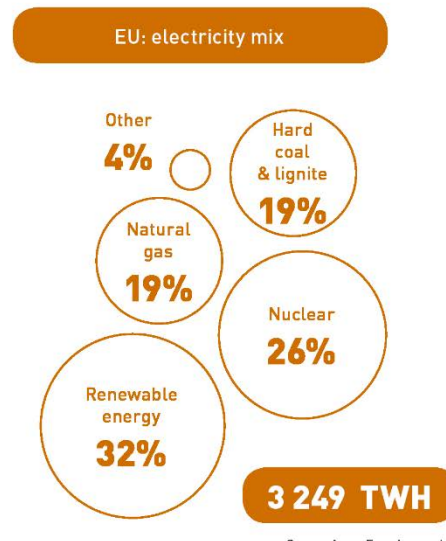
Electricity currently covers approximately 20% of the energy consumed by homes and businesses in the EU. A third of this electricity comes from renewable sources but a lot of effort is still required for this share to reach 100%.

Greening the remaining 80% of energy consumed poses another challenge. Petroleum products and solid fuels currently account for more than half of this 80%. Gas infrastructure is required for the associated emissions to be cut: infrastructure for transporting natural gas (which is considerably less polluting) today and green gas tomorrow.





Source: 2018 EU Energy Statistical pocketbook – reference year 2016



Source: Agora Energiwende – Sandbag 2019 – reference year 2018

### Using the right energy in the right application

We use energy in a myriad of ways and gas (natural gas today, green gas tomorrow) is very often the most suitable solution.

- Heating: it is much more efficient to use gas directly for heating rather than first using gas to generate electricity and then using electricity for heating.
- High-temperature heat in industrial processes: electricity is hardly suitable here.
- Raw material: industry requires gas as a raw material for the production of fertilisers among other things

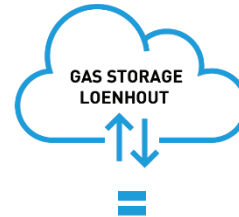
### Offering sufficient capacity

Gas infrastructure plays a crucial role in today's energy system when it comes to offering sufficient capacity for the energy supply. It can also seamlessly take on this role in the carbon-neutral energy system of the future.

**Peak capacity.** With regard to heating, gas infrastructure has been built to provide the peak capacity needed for high demand in winter.

**Electricity generation.** The gas system is ready for the decommissioning of nuclear power generation units and continuing to provide back-up for the increasing variability of green electricity from wind and solar generation.

**Storage and flexibility.** The need for storage and flexibility grows as the energy system continues to evolve into a carbon-neutral whole which has to be able to capture excess green energy. In this respect, extensive and cost-efficient gas storage capacity is becoming increasingly important.

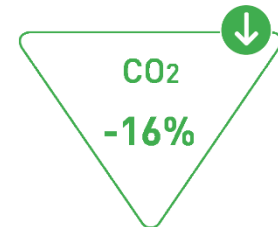
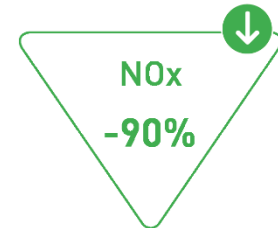
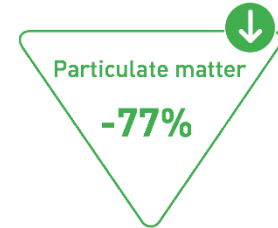


**1 250 x** Hydro storage in Belgium  
**600 000 000 x** Tesla home power wall

### Getting results as of today

Thanks to gas infrastructure, major steps can be taken as of today in terms of heating, mobility and heat demand to reduce CO<sub>2</sub> emissions and air pollution immediately. Specifically, switching to natural gas decreases emissions of particulate matter and other air pollutants such as nitrogen oxides, and makes CO<sub>2</sub> emissions drop as well. CO<sub>2</sub> emissions will fall even further as more green gas flows into the gas system.

- With regard to heating and heat demand in industry, the way to go is utilising efficient gas technologies such as condensing boilers, gas heat pumps, fuel cells or gas-fired combined heat and power technology, the latter generating both heat and electricity.
- When it comes to mobility, natural gas vehicles are an excellent complement to electric vehicles. They are better suited for longer distances as they have greater autonomy and are considerably cheaper to buy than electric vehicles, which opens up greener driving to a wider audience. Gas-fuelled buses and commercial vehicles in turn, allow to address the issue of particulate matter in urban areas and liquefied natural gas (LNG and bio LNG) is an important alternative to make heavy freight and shipping more sustainable.

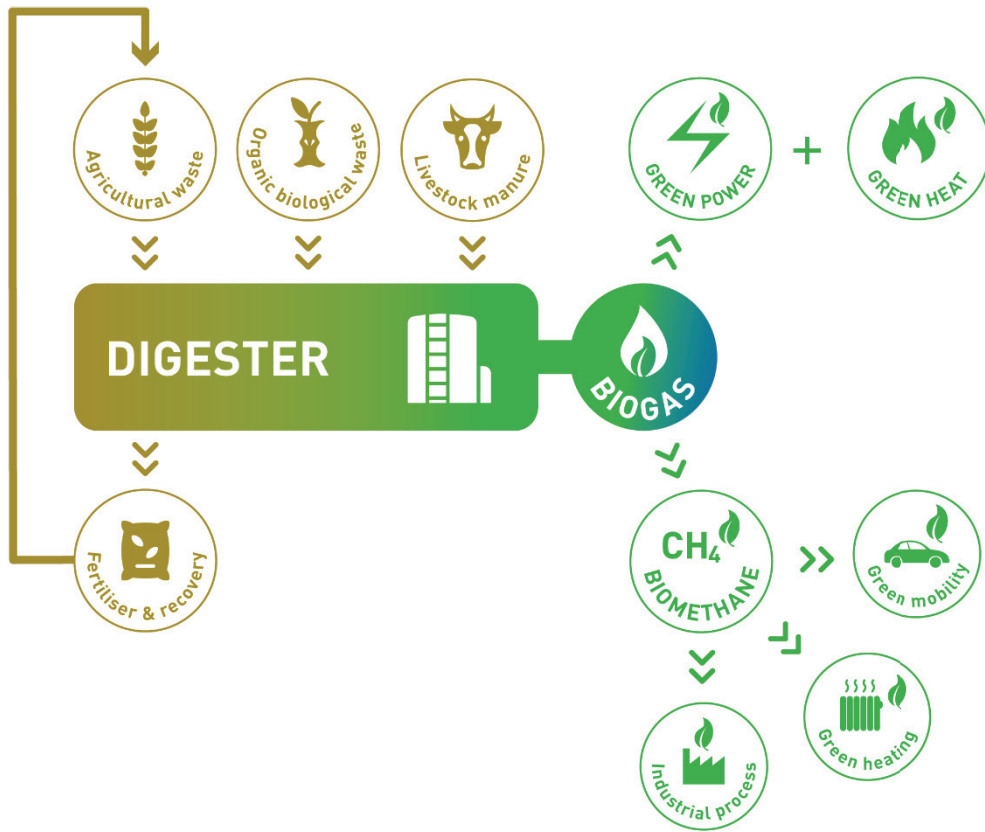


## 2. Focus on green gas and innovative gas technologies

The energy of the future must be carbon neutral. As well as renewable sources like wind and solar energy, green gas will also be part of a sustainable energy mix. Gas infrastructure and innovative gas technologies are instrumental to making green gas available as an additional carbon-neutral energy source to homes and businesses. Gas networks can also be used in the future to transport captured CO<sub>2</sub>.

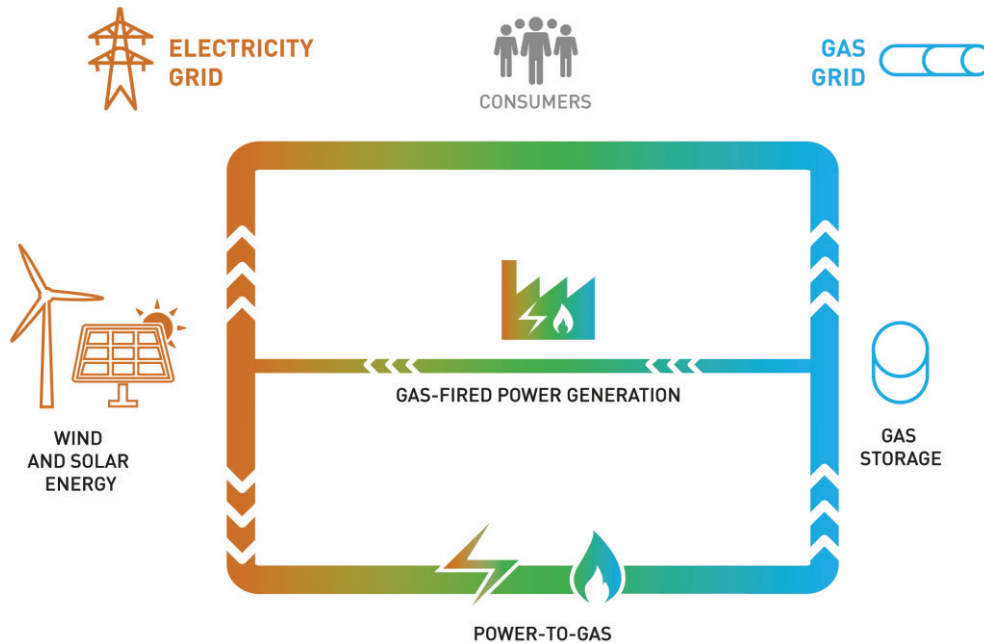
### **The potential of biogas and biomethane**

Biogas is carbon neutral and is extracted from organic material such as sludge, garden waste, the remains of fruit and vegetables, or animal waste like cow manure. If biogas is purified into biomethane, unlimited quantities can be transported via the existing gas systems. Biogas and biomethane offer considerable potential and must be developed further. Biomethane can also be imported.



### Power-to-gas: vital link between the gas and electricity systems

Sometimes there is a lot of wind or the sun is shining brightly but demand is too low to absorb the green electricity generated. As wind and solar capacity grows, the greater the risk of energy surpluses and imbalances in the electricity system: current technology offers no efficient way to store excess electricity when it is sunny or windy while demand is low. Power-to-gas technology can absorb these surpluses. It converts electricity into green gas that can, for instance, be transported and stored in the gas system.



The green gas generated by power-to-gas technology can be green hydrogen or synthetic gas. Green electricity is turned into green hydrogen via electrolysis. Combining green hydrogen with captured CO<sub>2</sub> creates synthetic gas and reuses CO<sub>2</sub> circularly. Synthetic gas has the advantage that there is no limit to how much it can be mixed with natural gas in the existing gas system, while this is only possible to a limited extent with green hydrogen. Separate sections of the pipeline network can be used to transport hydrogen.

In other words, power-to-gas appears to be a vital link in making the complementarity between the gas and electricity system work: it uses green electricity that would otherwise go to waste, fulfils the need for electricity storage, and serves as a means of maintaining the balance in the energy system.

### **Carbon capture and reutilisation/storage**

The most recent United Nations climate report makes it clear that carbon capture technologies will be required to arrive at the necessary reductions in CO<sub>2</sub> emissions as fossil fuels are often still the only option for some processes. Captured CO<sub>2</sub> can be reused in products such as polymers or steel, and extensive research is being conducted around the world into other ways to reuse CO<sub>2</sub>. Any captured CO<sub>2</sub> not eligible for reuse must be stored (e.g. in empty gas or oil fields).

A woman with long brown hair, wearing glasses and a white business shirt, is shown in profile. She is holding a black mobile phone to her ear with her left hand and pointing her right index finger towards a computer monitor. The monitor displays a bar chart with several vertical bars of varying heights. The background is a blurred office setting with another computer monitor visible.

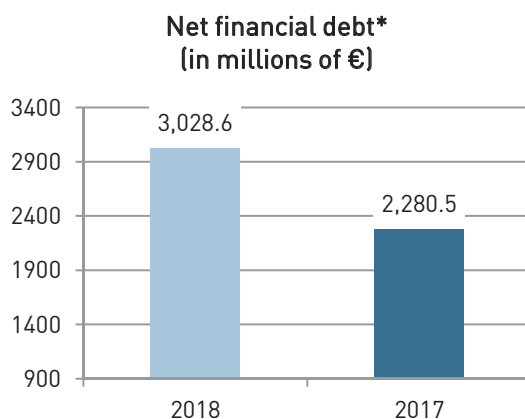
#### 4. FINANCIAL SITUATION: KEY FIGURES



## Key financial data 2018 (consolidated)

Financial ratios	2018	2017
<b>Solvency:</b>		
Ratio of (i) net financial debt* and (ii) the sum of equity and net financial debt*	46%	49%
<b>Interest coverage:</b>		
Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses	9.1	7.7
<b>Net financial debt*/extended RAB*:</b>		
Ratio of (i) net financial debt and (ii) extended RAB	46%	45%
<b>FFO*/net financial debt*:</b>		
Ratio (i) of FFO and (ii) net financial debt	18%	23%
<b>RCF*/net financial debt*:</b>		
Ratio (i) of RCF and (ii) net financial debt	12%	15%

\*See glossary on page 261



\*Excluding regulatory debt

<b>Indicators</b>	<b>2018</b>	<b>2017</b>
<b>RAB * (in millions of €)</b>	<b>6,556.7</b>	<b>5,031.4</b>
Transmission	2,874.1	2,802.4
Storage	246.1	253.3
LNG terminalling (in Belgium)	324.6	328.0
Other investments in property, plant and equipment outside the RAB* (in millions of €)	3,111.9	1,647.7

\*Voir glossaire p. 261

<b>Income statement</b>	<b>(in thousands of €)</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Operating revenue		981,050	1,012,986
EBITDA*		628,206	667,734
EBIT*		254,151	255,598
Net profit		447,217	165,109
<b>Balance sheet</b>	<b>(in thousands of €)</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Investments in property, plant and equipment over the period		238,431	144,100
Total property, plant and equipment		5,554,625	4,071,140
Equity		3,622,519	2,331,044
Net financial debt*		3,028,572	2,280,502
Total consolidated balance sheet		8,591,732	6,494,606

\*See glossary on page 261

## Fluxys SA – 2018 consolidated results

### Consolidation scope

This year, the consolidation scope and percentages of interests have changed as follows:

- acquisition of an additional 25.57% stake in Interconnector (UK),
- share swap for share exchange of the 50% held in GasBridge 2 for the 50% held in GasBridge 1 by SNAM,
- incorporation of FluxDune and Dunkerque LNG Holdings and acquisition of an additional 5.39% stake in Dunkerque LNG,
- incorporation of Senfluga Energy Infrastructure Holding and partnership with SNAM and Enagas, a company that has taken a 66% stake in Desfa,
- sale of the 50% stake in Swedegas Holding,
- acquisition of 51% of Rostock LNG and
- acquisition of 100% of Fluxys Bunkering and creation of the company FlexFueeler 002.

Fluxys has taken a controlling interest in Dunkerque LNG and Gaz-Opale. These companies are fully consolidated starting from November 2018. It should be noted that the purchase price allocation exercise for Dunkerque LNG is provisional. On the balance sheet date, the price paid was essentially allocated to property, plant and equipment and intangible assets. The difference between this value and the taxable value of these assets has an impact on the deferred taxes. The final exercise will be completed within the next 12 months, i.e. at the latest in October 2019.

### Operating revenue

The Fluxys Group generated a revenue of €981.1 million in 2018 as compared with €1,013.0 million in 2017. This decrease can primarily be explained by the planned end of Interconnector (UK)'s long-term transmission contracts in September 2018. The evolution of the regulated revenue of Fluxys Belgium, Fluxys Deutschland and Fluxys TENP reflect the reduction of the costs to be covered by the tariffs. These effects are attenuated by the first full consolidation of Dunkerque LNG which has had a favourable impact on the group's revenue since November 2018.

This can be broken down as follows:

- €499.7 million from transmission, storage and terminalling activities in Belgium and related activities, or 50.9% of the total operating revenue, and
- €481.4 million generated by activities outside Belgium, or 49.1% of the total operating revenue.

### **EBIT**

The Fluxys Group generated EBIT of €254.2 million in 2018, remaining stable as compared with 2017 (€255.6 million). EBIT in the 'Belgium' segment is slightly down, chiefly because of reduced finance costs and taxes to be covered by regulated tariffs. EBIT in the 'Europe' segment was affected in 2017 by the additional depreciation of certain parts of the TENP facilities in Germany, which was attenuated in 2018 by the end of Interconnector (UK)'s long-term transmission contracts in September 2018.

Fluxys therefore has solid financial resources to maintain and further expand its infrastructure in an increasingly international environment.

### **Net profit on changes in the consolidation scope**

When the controlling interest in Dunkerque LNG was acquired at the end of October 2018, the Fluxys Group derecognised the 25% stake accounted for using the equity method until this date. The fair value adjustment of this stake associated with the purchase price allocation exercise has required a profit of €280.1 million to be accounted for. The sale of the 50% stake in Swedegas Holding has generated a profit of €23.8 million.

**Net profit/loss**

The group's net profit/loss increased to €447.2 million in 2018 compared to €165.1 million in 2017, an increase of €282.1 million. The profit/loss for 2018 was favourably affected by the aforementioned profit on the derecognition of investments (€303.9 million). In 2017 it was affected by the revision of deferred taxes (€33.5 million).

Aside from these non-recurring items, the profit/loss progressed in 2018, benefitting from a higher contribution by Fluxys Belgium and Fluxys TENP, as well as from a reduction in the costs associated with debts.

**Investments in infrastructure projects**

In 2018, the Fluxys Group realised investments in infrastructure for a total of €238.4 million in its three main activities (transmission, storage and LNG terminalling). Investments in Belgium (33%) are essentially in transshipment facilities in the Zeebrugge LNG terminal, whilst investments in infrastructure outside Belgium (67%) are essentially in the EUGAL project in Germany.

**Financial participations**

The Fluxys Group has invested €224.8 million in its financial participations, mainly in the companies Interconnector (UK), Senfluga Energy Infrastructure Holdings, Dunkerque LNG and TAP.

## Fluxys SA – profit/loss 2018 (under Belgian GAAP)

Fluxys' consolidated net profit/loss was €144,818 thousand compared with €83,228 thousand the previous year. The company's profit/loss is essentially made up of dividends received. In 2018, Fluxys received dividends from Fluxys Belgium but also from Fluxys Europe and LNG Link Investment, which was not the case in 2017 for these two latter companies.

If the proposal for the allocation of the profit is accepted at the General Meeting, the gross total dividend for the 2018 financial year will be €138,929 thousand, remaining stable as compared with 2017.

## Outlook for 2019

Given the expansion of the company's business activities and barring any unforeseen circumstances, Fluxys expects to pay out a dividend at the end of the 2019 financial year that is at least equivalent to the recurring dividend for 2018 if OLO rates remain at the same level.





**5. CONTINUING  
TO EVOLVE  
IN BELGIUM  
AND EUROPE**



Natural gas production in Europe is continuing to systematically decline owing to the depletion of conventional gas reserves. This decline is being sped up due to the successive restrictions placed on production at the Dutch Groningen gas field in an attempt to minimise the risk of earthquakes.

The fall in European natural gas production means that major new import flows are needed. Furthermore, EU policy aims to further diversify sources of supply although producers at the same time want to diversify their supply routes.

Fluxys is actively involved in a range of projects intended to strengthen Europe's supply capacity. At the same time, Fluxys' existing infrastructure is, thanks to its location, ideally placed to assume its role in handling the new flows resulting from additional imports.

## Sales of transmission capacity: shift to short-term market

**Network users optimise their capacity portfolio.** Capacity sales on the European natural gas transmission market come under pressure for a number of years now. Network users are increasingly optimising their capacity portfolio, calculating as precisely as possible the volumes to be contracted based on the exact capacity they estimate they will need to supply their customers.

**Shift from long term to short term.** The trend towards increased optimisation of capacity portfolios also means that the practice of long-term capacity bookings is making way for more and more short-term capacity bookings. As such, suppliers are increasingly buying their natural gas on a short-term basis on gas trading points, leading to more short-term capacity contracts. The shift towards short-term contracts is fuelled further by the new harmonised European rules on system usage. When long-term contracts expire, for example, the capacity released must be sold during auction. As there is ample capacity available in Northwest Europe, network users often have an incentive to only buy short-term capacity.

**Challenge for transmission system operators.** Long-term contracts give transmission system operators the prospect of stable revenue in the long term regardless of the utilization rate of the infrastructure. The more short-term capacity sold, the more revenue will fluctuate with actual capacity use, which is variable. The latter depends on, among other things, network users' purchasing strategy and on final consumption, which largely depends on temperature fluctuations. This shift towards revenue that mirrors the variable nature of actual capacity use poses a real challenge to operators of regulated infrastructure, as the cost basis remains the same regardless of how much capacity is used.

Establishing virtual interconnection points is another challenge. These make it easier for network users to book capacity. With regard to flows between two countries, users can book them at a single virtual point rather than at different physical interconnection points. The network operators take charge of the complex underlying logistics.

## Fluxys maintains sales of transmission capacity

**Focus on competitive tariffs.** In a border-to-border transmission market increasingly characterised by short-term bookings, it is vital for Fluxys group companies that tariffs are kept at competitive levels. To this end, a major efficiency drive is under way throughout the group and synergies are being developed in a range of areas.

Fluxys Belgium was able to reduce its transmission tariffs by approximately 7.5% from January 2018 onwards. Furthermore, the federal energy regulator CREG has, together with Fluxys Belgium, devised a new tariff methodology for the period 2020-2023 that further boosts the competitiveness of our offer in light of the short-term dynamic on the market.

Interconnector UK has also managed to reduce its tariffs, while in Germany Fluxys Deutschland cut tariffs by 20% for capacity in the NEL pipeline in January 2018. Tariff-wise, Fluxys TENP maintained a strong level of competitiveness with alternative capacity in the TENP pipeline, despite the tariff increase needed to take into account reduced available capacity within the regulatory system in force (see page 51).



**Strong sales of short-term capacity.** Fluxys group companies largely overtook the sales targets set. The proactive commercial approach within the group led to high sales of short-term capacity depending on market conditions and price differences between trading points. The opportunities in Switzerland were the most pronounced. One important change to note was the expiry of long-term contracts for Interconnector UK in October 2018 and for a substantial volume of border-to-border capacity on Belgium's bidirectional east/west transmission axis.

## Market conditions for storage remain challenging

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

Against this backdrop, France and Germany, among others, have decommissioned several storage sites. Various European countries are increasingly using their storage facilities as a means of guaranteeing the security of supply and to this end are applying a revenue mechanism supported by the entire end-user market.

The challenge for storage operators lies in continuously developing products and services that meet the changing needs of storage customers as closely as possible. It is important here that the regulatory framework continue to make it possible to flexibly respond to market needs.

## Sharp increase in the terminalling of large volumes of LNG at the Zeebrugge facility

**Shipping traffic particularly heavy.** At the Zeebrugge LNG terminal, terminal users have long-term contracts in place for the unloading of 110 large LNG carriers per year. 2018 saw no fewer than 76 vessels berthing at Zeebrugge, the fourth highest annual level since the terminal was commissioned back in 1987.

Compared to the previous year, in 2018 almost twice as many carriers came to unload LNG at the Zeebrugge terminal, and more than twice as much LNG was regasified and injected onto the network. Demand for loading of large LNG carriers also picked up again.

Furthermore, the launch of ship-to-ship transshipment services in May 2018 marked the start of a new phase in the LNG terminal's diversification. No fewer than nine direct LNG ship-to-ship transshipment operations were carried out.

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



## Dunkirk LNG terminal part of the Fluxys group

Together with consortium partners AXA Investment Managers – Real Assets (acting on behalf of its customers) and Crédit Agricole Assurances, Fluxys acquired in October 2018 a 35.76% stake in Dunkerque LNG, owner of the Dunkirk LNG terminal, from EDF and Total. Fluxys continues to hold a 49% shareholding in Gaz-Opale, the company responsible for the operation of the terminal, with the remaining 51% in the hands of Dunkerque LNG.

The new 35.76% stake is added to Fluxys' existing 25% shareholding, meaning that the company and its consortium partners now have a 60.76% stake in Dunkerque LNG. As a result, the Dunkirk LNG terminal is now part of the Fluxys group. Fluxys pools the expertise of the teams at the Dunkirk terminal with its own LNG know-how to further develop its activities and explore new commercial opportunities in both small and large-scale LNG.

## Stronger shareholding in Interconnector pipeline

In March 2018, Fluxys and Snam took over a 33.5% stake in the Interconnector pipeline from Caisse de dépôt et placement du Québec (CDPQ). This transaction enabled CDPQ to combine the management of its stake in the pipeline with its 20% shareholding in Fluxys. Fluxys and Snam are consequently the company's only shareholders, holding stakes of 76.32% and 23.68% respectively.

## Shareholding in Swedegas sold

In November 2018, Fluxys and Enagás sold their shareholding in Swedegas to FS Gas Transport AB, a First State subsidiary. First State recently become owner of Sweden's largest gas distribution system and earlier this year had approached Fluxys and Enagás with an offer to take over Swedegas, which owns and operates Sweden's high-pressure gas network.





With Fluxys and Enagás as shareholders, Swedegas had turned Sweden in recent years into a key growth market for small-scale LNG (liquefied natural gas) for both shipping and industry. The company is also a pioneer in the transmission of low-carbon gas and had successfully prepared for a joint balancing zone with Denmark.

## Fluxys acquires stake in DESFA

Fluxys holds a 20% stake in the consortium with Snam and Enagás that, in late 2018, acquired a 66% shareholding in DESFA, the owner and operator of Greece's high-pressure network and the LNG terminal in Revithoussa. Greece is strategically important from a European perspective as, with the TAP under construction and a number of other initiatives in the project phase, it will become a key axis for the diversification of sources and supply routes for natural gas, and may turn into a hub for natural gas in Southeast Europe. Fluxys and its consortium partners offer their expertise as industrial partners so that DESFA can fully develop its strategic position in the Mediterranean.



## Belgium, Germany and France: switch from low-calorific to high-calorific natural gas

**Reduction in the production of low-calorific natural gas.** The gradual reduction in production at the Groningen gas field (which produces low-calorific natural gas, otherwise known as L-gas) has prompted the Netherlands to gradually phase out the export of L-gas from this field to Germany (between 2020 and 2030) and to Belgium and France (between 2024 and 2030). In addition, the extraction of natural gas from the Groningen gas field triggers earthquakes, so production at Groningen has been repeatedly reduced since 2014.

As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switchover from L-gas to high-calorific natural gas (H-gas) from other sources.

**L/H-conversion in Belgium on schedule.** Belgium currently imports around 45 TWh of L-gas per year for domestic consumption. The Belgian network also acts as a corridor for conveying L-gas to France. Following a number of minor conversion projects over the period 2016-2017, Fluxys Belgium teamed up with the relevant distribution system operators in 2018 to implement the first large-scale conversion, and is ready to complete the full conversion in 2029 as scheduled. Thanks to good interconnections with neighbouring networks and sources of H-gas, supplies of L-gas can be easily replaced.

**Fluxys infrastructure: Solution for additional supply of H-gas to Germany.** Germany currently consumes approximately 230 TWh of L-gas; these volumes will also have to be gradually replaced with H-gas from other sources by 2030. Fluxys infrastructure offers a range of solutions for supplying Germany with additional quantities of H-gas.

- Germany can import more H-gas that flows through the Belgian network via the Eynatten German/Belgian interconnection point in the west of the country. Thanks to the direct connection between the Belgian network and both the Zeebrugge and Dunkirk LNG terminals, supply from the west also makes it possible to easily diversify the country's supply portfolio with LNG. The German network development plan also provides for the construction of the Zeelink pipeline, which reinforces Germany's entry capacity to import gas from the Eynatten interconnection point.

- Via the Wallbach German/Swiss interconnection point in the south: thanks to the Alpine Reverse Flow project, capacity is available to bring gas from the south to Germany.
- The EUGAL pipeline project provides additional supplies of H-gas from the north (see page 53).

## Long-term maintenance on TENP infrastructure

Based on extensive inspections of one of the two TENP pipelines, TENP shareholders decided in 2017, as a precautionary measure, to perform additional inspections and subsequently temporarily take a large part of the pipeline out of service. As such, the available infrastructure capacity has been reduced in the long term (until October 2020). Fluxys TENP is working with other transmission system operators to ensure that the network users affected have enough capacity to supply natural gas on local markets in southern Germany. This also guarantees supplies to Switzerland, and transit to Italy is kept at as high a level as possible.

## Reverse flow capacity operational in Switzerland and Germany

**South-to-north capacity available to the market.** Market players have been able to buy so-called reverse flow capacity from FluxSwiss and Fluxys TENP since 2018 (i.e. capacity to transport gas from the south to the north via the Transitgas and TENP pipelines). Reverse flow capacity became operational from Italy to France in June, and from Italy to Germany, Belgium and the Netherlands in October. Gas in the pipelines could previously only physically flow from north to south.

The new capacity is the result of technical and commercial cooperation between Fluxys TENP, FluxSwiss, Transitgas, Swissgas, OGE, GRTgaz and Snam Rete Gas. The transmission system operators also made sure that there was a thorough consultation and coordination in place between all parties in order to satisfy market needs for both cross-border and local gas flows.

The gas made available from Italy thanks to reverse flow capacity includes current sources in North Africa and Russia as well as LNG sources landing in Italy. Once the Trans Adriatic Pipeline is commissioned, the reverse flow capacity will also enable natural gas transmitted to Italy via the Southern Gas Corridor to further flow north to North European markets (see page 53).

**Project of Common Interest.** The reverse flow capacity turns the north-south transmission axis between Northwest Europe and Italy into a wholly bidirectional system and has a dual aim, namely to shore up the security of supply and fully couple Italy's PSV gas trading point with the gas trading points in Northwest Europe. This is why the Reverse Flow project has been included on the list of European Projects of Common Interest (PCIs) and receives European support through the Connecting Europe Facility programme.

**Deodorisation plant under construction.** As part of the Reverse Flow project, an industrial deodorisation plant is being built in Schwörstadt in the south of Germany. This plant will give the transmission system operators involved more flexibility to transmit gas to Germany if part of it comes from France and therefore contains a given concentration of odorant. Odorant is not permitted on Germany's transmission systems, unlike current practices in Switzerland, Italy and France. Thanks to the deodorisation plant, odorant can be removed from gas if necessary.

## Construction of EUGAL pipeline on schedule

Fluxys holds a 16.5% stake in the European Gas Pipeline Link (EUGAL) project in Germany. The project involves the construction of two parallel pipelines to transmit gas from the north of Germany southward to the Czech border.

The construction of the EUGAL pipeline is on schedule. The construction of the receiving station is progressing well. Construction of the first pipeline began in August 2018 and construction of the second pipeline will begin in mid-2019. The commissioning of the pipeline and associated infrastructure is scheduled for 2020.

## Construction of Trans-Adriatic Pipeline over 80% complete

**TAP: Western branch of the Southern Gas Corridor.** Fluxys has a 19% stake in the Trans Adriatic Pipeline (TAP), the pipeline under construction that forms the western branch of the Southern Gas Corridor enabling Europe to access natural gas from the Shah Deniz II field in Azerbaijan from 2020 onwards. In the first phase, the pipeline will be able to transmit up to 10 billion cubic metres of natural gas per year. This capacity can be increased at a later stage to 20 billion cubic metres per year with a relatively small further investment. Various sources may qualify to that effect, including sources from the wider Caspian region, the Middle East and the eastern Mediterranean region.

By unlocking new sources, TAP is an important link in that it increases both the diversification of sources and the security of the natural gas supply in Europe. Against this backdrop, the European Union has given TAP Project of Common Interest (PCI) status as part of the Trans-European Networks for Energy (TEN-E).





**Work is progressing well.** Good progress has been made in the construction of the Trans Adriatic Pipeline since work began in 2016. Over 80% of the project was complete by late 2018.

- In Greece and Albania, over 683 kilometres of the 767-km-long pipeline route have already been laid.
- The construction of compressor stations in Fier (Albania) and Kopoi (Greece) is on schedule, ensuring that the stations will be commissioned on time.
- TAP is experiencing difficulties at the landing point in Italy due to resistance from local residents and public authorities. TAP is making every effort, in the spirit of good neighbourly relations and by means of constructive consultation, to respond to local concerns and ensure that the pipeline is commissioned on time.

**Fluxys offers expertise.** As an industrial partner, Fluxys makes widely available its knowledge and know-how in order to operationally prepare TAP to handle gas flows and safely operate the pipeline.

**Project financing complete.** By late 2018, TAP had raised a total of €3.9 billion, thereby successfully completing the financing of the project. The European Investment Bank and the European Bank for Reconstruction and Development are vital investment partners that have teamed up with 17 commercial banks and three export credit institutions in order to finance the project.

**6. TAPPING INTO  
NEW AREAS  
OF GROWTH**



**Fluxys is helping to secure a broad energy transition that fully utilises the complementarity between gas and electricity infrastructure in a sustainable, affordable and reliable energy system. With this in mind, we are focusing on new technologies and the potential of green gas.**

## Natural gas as a transport fuel: Fluxys active on various fronts

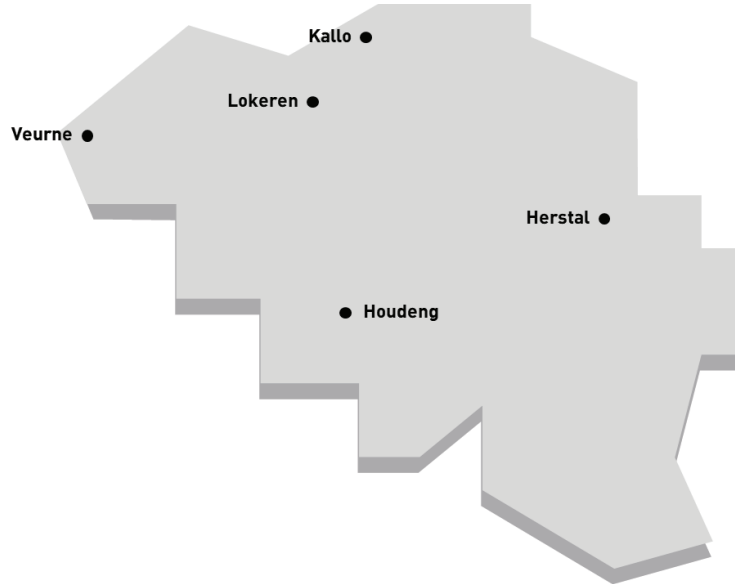
Fluxys is active on various fronts to promote natural gas as a transport fuel and stimulate this promising but still emerging market. The main challenge here lies in developing the infrastructure needed to easily fuel vehicles and vessels with natural gas. While compressed natural gas in gaseous form (CNG) is used for cars, vans, buses and commercial vehicles, liquefied natural gas (LNG) is the ideal solution for shipping and long-distance freight transport.

## Natural gas as a fuel for transport on the rise in Belgium

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

The number of CNG vehicles rose by almost 60% in 2018, from 9,000 to 14,000. More than one CNG filling station on average opened per month, with their numbers rising from 90 to 104. This number is expected to rise to 170 in 2019.

**Upturn in LNG truck market.** Logistics companies are increasingly considering switching to LNG as a cleaner option for long-haul transport, especially as more powerful LNG trucks come onto the market. By late 2018, Belgium was home to four fixed filling stations where trucks could refuel with LNG.



A mobile filling station has been operational in Houdeng (La Louvière) since January 2019 and over the course of 2019 will be replaced by a fixed station, a joint investment project between Fluxys and haulier Mattheeuws; together these companies have already built an LNG filling station in Veurne.

## Second loading station for LNG trucks at Zeebrugge LNG terminal

In 2018, Fluxys built a second loading station for LNG trucks at the Zeebrugge LNG terminal, anticipating smoothly meeting future demand. The station was commissioned in December and boosts capacity from 4,000 to 8,000 loading operations per year.

The station receives financial support from the European Commission through the Connecting Europe Facility (CEF) programme in connection with Go4Synergy, a joint project between Fluxys and Swedegas to transport LNG in containers from Zeebrugge to Gothenburg where vessels will be bunkered with LNG. The subsidy is awarded to projects that exploit synergies between the transport and energy sectors with a view to achieving a low-carbon future and strengthening the internal European energy market.



## LNG bunkering solutions at the Port of Antwerp

**Mobile bunkering with LNG trucks.** In early 2018, Fluxys took over the concession of Port of Antwerp dock 526/528 to supply LNG as an alternative maritime fuel. Various vessels use the dock to bunker LNG with LNG trucks.

**Bunkering pontoon on the way.** In early 2019, Fluxys signed an agreement with Titan LNG to build a bunkering pontoon to expand the availability of LNG as a maritime fuel in the Port of Antwerp and the Antwerp region. The pontoon will be commissioned in mid-2020. It will be located at dock 526/528 and Titan LNG will serve as its long-term operator.

**Fixed bunkering point also planned.** Alongside dock 526/528, G&V Energy Group and Titan LNG subsidiary Rolande LNG will build an LNG filling station for heavy trucks. Fluxys and Titan LNG will use the infrastructure to open up permanent LNG bunkering services for inland waterway vessels at dock 526/528, in addition to the current option of providing LNG bunkering services through LNG trucks.



## Dunkirk LNG terminal also developing small-scale LNG services

At the Dunkirk LNG terminal, works started in 2018 for a loading station for LNG trucks. The station will have a capacity of 3,000 loading operations per year, and is expected to be commissioned in the first half of 2019.

The terminal is also working on adapting the jetty to allow the loading of LNG bunkering vessels with a minimum capacity of 5,000 m<sup>3</sup>. Only LNG vessels with a capacity of at least 65,000 m<sup>3</sup> can currently berth at the jetty.

## Mid-scale LNG storage terminal at Rostock Port

In 2018, Fluxys and Novatek set up the joint venture Rostock LNG to construct and operate a mid-scale LNG storage terminal at Germany's Rostock Port with a view to opening up LNG as a low-carbon alternative to heavy fuel oil, diesel and LPG in Northern and Central Europe and the Baltic Sea region.

The facility is designed as an LNG terminal where mid-scale LNG vessels can berth and unload, where LNG can be stored and where services can be delivered for the LNG to be distributed further:

- loading trucks (and possibly rail tankers) to supply LNG to industrial consumers or to LNG filling stations for trucks;
- loading vessels with LNG to, for example, supply it as fuel for ships operating in the Baltic Sea.

The terminal would receive LNG vessels from the liquefaction plant that Novatek and Gazprom are currently building at Vysotsk Port, close to Saint Petersburg. The concession agreement with Rostock Port is complete and as at late 2018 the project was still in the engineering and permit phase. The final investment decision for the project still has to be made.





## Power-to-gas project with Eoly and Parkwind

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

In early 2018, Fluxys, Eoly (Colruyt Group) and Parkwind started cooperating to study the feasibility of constructing an industrial-scale power-to-gas facility with an installed capacity of 25 MW of electricity. The project is supported by Belgium's federal Fonds de transition énergétique/Energietransitiefonds.

## Biomethane: Belgium takes a major step forward

In 2018, Belgium took the first step towards providing green gas for consumers. In the Kempen region, the intermunicipal waste management company IOK Afvalbeheer commissioned the first biomethane facility, and the green gas produced there is now finding its way to end users through the distribution system. In this context, Fluxys Belgium teamed up with the Belgian gas federation gas.be and distribution system operators to set up a system of green gas certificates that would allow consumers in Belgium to buy green gas just as they can buy green electricity. This is an important step towards the decarbonisation of the energy system, because it creates a market for green gas and thus stimulates demand for biomethane production, which is still in its infancy in Belgium.

## Capture and reuse/storage of CO<sub>2</sub>: collaborating with ports

The capture, reuse and storage of CO<sub>2</sub> is an important means for port industry in the fight against global warming. With this in mind, Fluxys is collaborating with a number of ports in Belgium and the Netherlands.

For example, in 2018 Fluxys joined forces with the Antwerp Port Authority, firstly to study the feasibility of solutions for capturing CO<sub>2</sub> from industry at the port, transporting the captured CO<sub>2</sub> by pipeline or ship, and reusing or storing it. Both parties intend to work together on specific projects if the results of the feasibility study are positive.

## Innovative gas technology

Innovative gas technology, with its high energy efficiency and good emission values, has an important role to play in the transition to a carbon-neutral society. As such, Fluxys is supporting the accelerated development and market launch of innovative and attractive gas applications for heating, industry and mobility.

The participation in boostHEAT, the company that has developed an innovative thermodynamic gas heat pump, is going well. Under the current schedule, gas heat pumps will be available for sale in France, Belgium, Germany and Switzerland by late 2019.



## Research and development

Fluxys' research and development policy aims to acquire knowledge and technology to consolidate and further enhance the group's activities. To this end, the group conducts applied research either by itself, in conjunction with academia, or together with other European gas companies under the umbrella of various organisations, including:

- Pipeline Operators Forum (POF);
- European Gas Research Group (GERG);
- European Committee for Standardisation (CEN);
- European Pipeline Research Group (EPRG);
- International Organisation for Standardisation (ISO);
- EASEE-gas (European Association for the Streamlining of Energy Exchange – gas);
- Marcogaz, the Technical Association of the European Natural Gas Industry.

In 2018, Fluxys was involved in research and development projects relating to the design and safe operation of gas infrastructure as well as dynamic geological models for the underground storage of natural gas. The company also paid particular attention to the research and development of innovative gas applications and small-scale LNG.

**Integration of innovative gas technology.** Fluxys Belgium has conducted various studies into the integration of fuel cells and efficient gas heat pumps in its gas infrastructure and buildings.

**Small-scale LNG.** LNG is enjoying increasing success as an alternative fuel for trucks and ships. For such small-scale applications, LNG needs to be measured as accurately as other fuels. With this in mind, Fluxys Belgium and various metrology institutes and industrial partners have come together in a project group to develop an international standard for measuring small to medium-sized LNG flow rates. In 2018, a measurement and calibration facility was built at the Maasvlakte in Rotterdam with a view to developing the international standard. The facility will be cooled in and tested in 2019.

## 7. INVESTING OUTSIDE EUROPE



Over the past decade, Fluxys has become a reference partner for gas infrastructure projects in Europe. Fluxys wants to continue evolving and seeks out opportunities to become a preferred partner for gas infrastructure outside Europe too.

Many areas outside Europe are expecting a sharp increase in gas demand to reconcile the need for additional energy with the challenges posed by climate change and air quality. Fluxys is seeking to cooperate with experienced partners in a range of projects, and in 2018 made extensive contacts to develop projects in specific areas.

## 8. ENCOURAGING EMPLOYEE DEVELOPMENT





As a company in the energy sector, Fluxys is operating in a rapidly changing, ever-evolving market. To maintain its success in this context, it is vital for the company to be able to rely on skilled, motivated and permanently employable staff. This requires a great deal of agility and adaptability in interactions between people, processes and structures.

Tapping into this adaptability as much as possible, taking into account the opportunities and challenges of digitisation, is key to our HR policy. At the same time, the policy aims to ensure that the right talent is in the right place at the right time to make an optimum contribution to the entire company's success.

## Organisation moving with the growth strategy

Fluxys constantly examines its processes and structures in light of new challenges. After all, a transforming market requires an organisation that can move along with it. Thanks in part to the proper use of the appropriate digitisation technology, we aim for more efficient processes and structures that enable the company to work more effectively, thus allowing Fluxys to continue experiencing lasting growth and further bolster its position on the market.

With this in mind, in 2018 we strengthened management with an eye on the streamlining and transversal coordination of initiatives on innovation, green gas, reducing our ecological footprint, and expanding digitisation in the business model.

Processes and structures are not the only things needed to realise our growth strategy; every employee makes a vital contribution. As such, all employees are expected to critically analyse their day-to-day approach and flexibly adapt to changes with an open mind.

## Attracting the right talent for today and tomorrow

Based on its company objectives, Fluxys assesses its future staffing needs to gain a clear overview of which competencies are required now and in the future. This involves a sustainable, future-oriented recruitment approach: we attract driven, motivated and committed employees who over time could also make a valuable contribution elsewhere in the Fluxys group.

Like other companies, Fluxys is facing a real war for talent. Innovative recruitment is key to being able to fight this war, so in 2018 we launched the Fluxys Job Aperó, a new concept intended to attract and recruit potential employees in an original manner and in an informal setting. The first Aperó was a huge success, resulting in several new employees for the company and bolstering Fluxys' employer brand.

## Ensuring that talent contributes to the company's aims

Fluxys' competency management and professional development and training programmes are geared towards providing employees with the support they need to achieve both the company's objectives and their own. To ensure that new employees and other members of staff get off to a quick and effective start in their new position, Fluxys uses a personalised induction and integration programme.

## Fostering involvement

Fluxys sets great importance to ensuring that employees are familiar with the business context and the challenges that the company faces, as this fosters personal commitment to the company's vision, strategy and goals. We make special effort, using a variety of means, to give members of staff a better understanding of what changes are going on in the energy sector, how the company is adjusting its goals and strategy to address these developments, and what these goals mean for each individual staff member.

## Transparent and constructive social dialogue

Good industrial relations are vital for company cohesion and development, which is why Fluxys engages in transparent and constructive social dialogue with all social partners.

## 9. MAIN RISKS, UNCERTAINTIES AND OPPORTUNITIES

### Internal control and risk management systems

**Reference framework.** Fluxys has established a risk management system based on the COSO framework. A guideline describes which risk management-related activities have to be performed when and by whom.

**Roles and responsibilities.** The Board of Directors determines – pursuant to a proposal by the Managing Director – the degree of risk that the company is willing to incur, in accordance with its values, strategy and core policies. The Board of Directors therefore approves the reference framework for internal control and risk management and assesses the application of the reference framework. The Audit Committee advises the Board of Directors in this area.

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Managing Director within Fluxys subsidiaries (both full and majority controlled); this allows the Committee to ensure that the biggest risks are suitably identified, managed and communicated. Risks associated with social, personal and environmental issues, respect for human rights and tackling corruption and bribery are taken into account. The biggest risks are regularly monitored and reported to the Managing Director. The Managing Director is responsible for implementing risk management. In this capacity, they evaluate the risks and measures taken to mitigate them.

In a bid to ensure efficient internal controls, Fluxys has put in place a separation of functions in its processes and IT systems intended to limit the risk of errors and fraud in its accounts. In addition, control functions are in place within key departments which regularly evaluate the latter's respective risks and controls, and adjust and report on them. A budget monitoring exercise is also held regularly as part of financial reporting.

**Risk register.** The likelihood and impact of each risk identified are determined in either quantitative or qualitative terms. The impact assessment criteria may pertain to the financial situation, reputation, safety, the environment, or availability. Fluxys views impact as a combination of these aspects, as certain risks can affect the financial situation while others have a bigger impact on reputation or safety. If the impact of a risk encompasses multiple criteria (e.g. financial, reputation), Fluxys opts for the criterion with the highest grading (according to the prudence principle). In this way, the company's risk profile is adjusted periodically.

The risks are set out in a risk matrix in which Fluxys distinguishes three levels of risk:

- Unacceptable risks: risks for which measures must always be taken immediately to reduce the risk.
- Risks for which measures are taken to reduce the risk in line with the ALARP ('as low as reasonably possible') principle. This means that the technological resources, economic restrictions and feasibility of the measures are weighed up carefully against their risk-reducing effect. The divisions keep a close eye on the risks.
- Risks that are acceptable as the necessary controls and measures are in place.

**Control measures.** The risk profile, as it appears in the risk register, is compared with the risk tolerance and where necessary additional measures are taken with the aim of bringing all risks within acceptable limits. These measures are translated into a policy, procedures, instructions and regular evaluations by means of external and internal audits, technical audits and quality controls of the implementation of the measures. This strengthens risk awareness within the organisation.

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

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

## Overview of the major risk areas

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

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

The end of Dutch L-gas in 2030, exports of which will start falling as of 2024, will put an end to L-gas transit flows through Belgium, which may not be offset by new H-gas transit flows. Furthermore, the gradual disappearance of L-gas and the subsequent conversion to H-gas represents a potential risk of loss of market share as L-gas users can opt for energy sources other than natural gas.

In the electricity generation segment, the load factor of Europe's gas-fired power plants is contingent on a range of factors, such as the extent and rate at which generation capacity with renewable energy sources increases, the weather, and changes in the price of coal and CO<sub>2</sub> emission rights. For natural gas transmission companies, the uncertainty surrounding the load factor of gas-fired power plants fosters uncertainty around capacity bookings for these power plants. However, in a number of countries the phase-out of nuclear power as well as coal and lignite-fired power plants opens up new opportunities for gas-fired power plants.

The energy transition and efforts to improve air quality also afford opportunities for Fluxys as a gas infrastructure company. Thanks to gas infrastructure, major steps can be taken now in terms of heating, mobility and heat demand in industry to reduce CO<sub>2</sub> emissions and air pollution immediately. More specifically, switching to natural gas will mean fewer emissions of particulate matter and other air pollutants such as nitrogen oxides, as well as a drop in CO<sub>2</sub> emissions. CO<sub>2</sub> emissions will fall even further as more green gas flows into the gas system (see also 'Gas infrastructure: A cornerstone of a carbon-neutral energy system' on page 18).

**Regulatory framework.** The European Union provides for a system of regulated access to natural gas transmission networks and LNG terminalling facilities that are not exempt from regulation. The national supervisory authorities monitor these regulated activities. At European level, the national supervisory authorities cooperate via the Agency for the Cooperation of Energy Regulators (ACER). However, the national supervisory authorities are responsible for devising tariff methodologies and approving proposed tariffs for the use of natural gas transmission networks and LNG terminalling facilities that are not exempt from regulation.

European regulations also include a certification procedure for transmission system operators that checks whether the owner-operators are meeting the unbundling requirements, as they must not be connected to energy suppliers or producers. Fluxys acts as an owner-operator within the unbundled regime.

Though the activities of FluxSwiss are currently unregulated, natural gas transmission in Switzerland may ultimately see a form of regulation similar to the framework used in the European Union.

Any change to the regulatory framework can have a major impact on Fluxys' activities, profit and financial position.

**Integrity of the network and ICT infrastructure.** There are inherent safety risks associated with the operation of natural gas infrastructure, such as damage to the network and facilities as a result of work performed by third parties, damage as a result of corrosion or incidents during maintenance work. Fluxys takes various measures to ensure the safe and continuous operation of infrastructure and manage the associated risks. As such, the TENP-1 pipeline in Germany was temporarily taken out of service for further investigation. ICT security (availability and cyber security) is a specific risk for operational activities. With this in mind, Fluxys takes the precautions needed to keep its ICT and Industrial Control (IC) systems in optimum condition and protect them from external threats.

**Growth in activity.** In a bid to safeguard its growth and profitability on a radically changing European natural gas market, Fluxys' unique position in terms of location, skills and know-how enables it to seize opportunities to invest in new and existing natural gas transmission systems, pipelines or LNG terminalling projects, or projects involving the innovative use of gas. Implementing such projects could give rise to various risks and uncertainties, such as geopolitical developments, differences in corporate culture, services, regulations, markets, operational and technical risks, scheduled commissioning and budget overruns. Fluxys therefore conducts an in-depth risk analysis for every project and monitors it closely. Furthermore, major projects intended to boost capacity are backed by long-term contracts.

**Exchange rate risk.** Some of the Fluxys group's current cash flows are generated in currencies other than the euro, primarily in CHF, GBP and (until the sale of Swedegas) SEK. Since the euro is the Fluxys group's functional currency, a fluctuation in the exchange rate between the euro and the cash flows in foreign currencies could affect Fluxys' income statement and consolidated balance sheet when these currencies are converted into euro. However, in line with the group's financial policy, these exchange rate risks are hedged as



soon as they become certain by financial instruments such as foreign exchange swaps, forwards and cross-currency rate swaps. As far as possible, these financial instruments are qualified as hedging instruments, limiting the accounting impact of exchange rate variations on the income statement.

**Interest rate risk.** Some of the Fluxys group's current loans were taken out at floating interest rates. A fluctuation in interest rates could affect Fluxys' income statement. However, in line with the group's financial policy, these risks are hedged as much as possible by financial instruments such as interest rate swaps (IRS). Under some financing contracts, the interest to be paid at floating rates under the loan agreement is limited to a floor of 0% (in some cases, this limit only relates to the benchmark interest rate, in other cases to the all-in interest rate, including the margin). The loan in FluxSwiss and Transitgas is fully hedged by cap derivatives.

Fluxys had considerable cash surpluses at the end of the year due to the switch to project financing for Dunkerque LNG and TAP. These surpluses have been used to repay loans with floating interest rates without an early repayment penalty.

**Counterparty risk.** Cash surpluses belonging to Fluxys group subsidiaries are invested in Fluxys under cash pooling agreements (except for Flux Re, subsidiaries with project financing agreements, and subsidiaries where Fluxys does not hold a majority stake in the share capital). These cash surpluses are loaned to group subsidiaries through intra-group loans at market conditions. Fluxys' monitoring of its subsidiaries ensures that this counterparty risk for subsidiaries is limited and under control.

Residual cash surpluses within the group are invested in financial products. The risk of a counterparty defaulting is very low at Fluxys level, since Fluxys invests cash surpluses with prominent financial institutions, in financial instruments issued by companies with an investment grade rating or in financial instruments issued by companies with a creditworthy authority as a majority shareholder.

As per its policy for managing counterparty risk, Fluxys performs a credit analysis of its customer base in terms of profitability, liquidity and solvency based on internal information as well as specialised databases on the basis of financial information and market research. This analysis is supplemented with external credit rating information when available. Through this approach, the group's exposure to credit risk, both in terms of default and in terms of concentration of customers, is reduced. Major suppliers are also screened in order to safeguard the long-term prospects of the partnership.

**Liquidity risk.** The Fluxys group runs a capital-intensive business and as such relies on external financing (among other things) to fund its operating and investment activities. In the context of its business development and refinancing obligations, the group is subject to a liquidity risk. Financial markets do not always offer sufficient access to the required liquid assets, especially in times of economic or geopolitical instability. Fluxys' policy is to retain its privileged access to capital by utilising adequate and confirmed credit lines, a strong network of banks and investors, and the solid financial parameters for the company's creditworthiness that make Fluxys a reliable counterparty for lenders.

## 10. LEGAL AND REGULATORY FRAMEWORK

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

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the 3rd Gas Directive);
- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (2nd Gas Regulation);
- Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (ACER Regulation).

### Setting tariffs

#### General

On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) N° 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff structure for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs. This will have an impact on the determination of tariffs in the following regulatory period.

Within Fluxys group, there are entities that are regulated (Fluxys Belgium, Fluxys LNG, Fluxys Deutschland & Fluxys TENP), entities that are exempted or under a merchant model (Interconnector UK, Fluxys BBL, Dunkerque LNG) and finally, entities that are not regulated (FluxSwiss & GMSL).

## Principles

### **Revenue principle of the transport/storage activities in the regulated entities within EU**

Transport and storage of gas, as well as the terminalling activities are rate-regulated businesses within EU. The main principle of the regulation foresees that revenue has to be such that it covers the eligible costs and allows shareholders to obtain a fair return (depending on the allocated regulated equity and, usually, the 10-year government bond return). In this respect, revenue is to be fixed taking into account the following:

- Operational expenses;
- Authorised depreciation;
- Cost of debt; and
- Fair margin to shareholders.

### **Regulated revenue explanation**

Regulation foresees regulatory periods of fixed duration (for instance 4 years in Belgium, 5 years in Germany). Before regulatory period starts, the transport system operator (TSO) submits a budget covering the regulatory period (operational expenses, authorised depreciation, cost of debt and fair margin).

In addition, the sold capacities per year (Q) are estimated. Then, the unit tariff (T) is computed by dividing the sum of the budgeted revenues, taking into account the use of the regulatory account, by the sum of the estimated sold capacities over the period. This tariff is to be applied to all the contracts with customers over the agreed period (unique tariff per regulated service).

Next, the actuals of a year are likely to be different from the budgeted amounts. Therefore, there is a yearly settlement when the actual figures are compared to the authorised ones and defined differences are transferred to/from the regulatory account. For instance, if the revenue invoiced to customers (cash revenue), computed as actual quantities sold x applicable tariff, is higher than the authorised regulated revenue (sum of the actual costs to be covered - the 4 elements aforementioned), the surplus has to be transferred from the

profit and loss to the credit of the regulatory account (as a deferred income). This surplus could result from several reasons, for instance (non-exhaustive list):

- Lower operational costs (non-manageable costs or part of the manageable costs);
- Commodity elements;
- Sold capacities.

On the other hand, if the revenue invoiced to customers (cash revenue) is lower than the sum of the actual costs to be covered, the deficit will be accounted for at the debit of the regulatory account (as an accrued income) in IFRS.

Consequently, the profit and loss will only contain the regulated authorised revenue (invoiced (cash) revenue plus/minus regulatory account movement).

Some regulators make a distinction between the manageable operational expenses and the non-manageable operational expenses. The manageable operational expenses are those expenses that can eventually be managed by the company, in opposition to the non-manageable expenses which evolution is beyond the company's control.

As an incentive, part of the difference between the budgeted amount and the actual amount of the manageable operational expenses is to be treated via the regulatory account.

Additionally, Fluxys group sells commodity (gas) for balancing purposes. Balancing is the fact of buying and selling of flexible gas in order for the system to remain within safe operational limits. This activity is fully regulated.

#### **Revenue principle of the terminalling activities in the regulated entities within EU**

The regulation is applied to the terminalling activities in the same way as to the transport/storage activities. However, some investments might be remunerated via an Internal Rate of Return model (as the case in Belgium).

The treatment of the differences between the authorised and the actual figures is similar to what was described previously for the transport/storage activities. All the operational expenses are considered as non-manageable costs in Belgium.

### **Exempted entities and regulation for Interconnectors**

In some countries, the regulator provided exemption from regulation for a fixed period of time. These exemptions stimulate new investments in transport/storage/terminalling infrastructure by allowing conclusion of long term contracts with interested shippers. This is the case of BBL Company VOF and Dunkerque LNG and was the case for Interconnector UK until 09/2018. However, after the exempted period, the regulation is applicable as previously described.

The entities like Interconnector UK or BBL Company VOF are subject to a specific regulation for Interconnectors, as a merchant model. In fact, under this model, the general principles of a regulated market have to be fulfilled, however, the entities have some commercial flexibility, namely with respect to the revenues to be generated. For instance, the net profit of Interconnector UK is capped; if the net profit exceeds the cap, the exceeding amount is accounted as a regulatory debt towards the market. The cap is set up for a certain period and might be reviewed by the regulator if the entities prove that the cap does not allow them to cover the operational expenses, the depreciation and the fair margin for the shareholders.

### **Non-regulated revenue**

The natural gas market is currently not regulated in Switzerland; consequently, the revenue of FluxSwiss, related to capacity provision for gas transport is not submitted to EU regulation.

Along with the capacity provision services, Fluxys group is also providing additional services, as operational support via GMSL. These services are not regulated and their prices depend on the contracts and on the market environment.

## 11. CORPORATE GOVERNANCE

### Framework

Legal aspects. Fluxys is subject to Belgian legislation and accordingly has developed a Corporate Governance Charter describing how the company works. Among others, the Corporate Governance Charter contains internal rules for the Audit Committee and the Appointment and Remuneration Committee, which are set up within the Board of Directors.

Code of Conduct. Furthermore, Fluxys has established a Code of Conduct, describing the principles of integrity, ethics and general conduct that are applicable to all Fluxys employees.

### Composition of the Board of Directors

At the Ordinary General Meeting of 8 May 2018, Christian Viaene's directorship was renewed for a period of one year, until the 2019 Ordinary General Meeting.

André Boulanger, who was co-opted by the Board of Directors on 31 May 2017 with effect from 10 May 2017, and Chantale Pelletier, who was co-opted by the Board of Directors on 31 January 2018 with effect from 1 January 2018, were definitively elected as company directors by the same General Meeting, until the 2023 Ordinary General Meeting. The procedure for renewing directorships and new appointments by the Appointment and Remuneration Committee was compiled with.

### Attendance fee

Directors receive an attendance fee of €250 for each Board and committee meeting they attend.

## Statutory auditor

The Ordinary General Meeting has determined the annual remuneration of Deloitte Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL. In 2018, Deloitte received remuneration totalling €485,949 for its work as the auditor of Fluxys NV/SA. Deloitte also performed other tasks worth a total of €183,321. This remuneration can be broken down as follows:

- Audit services as auditor for the group in Belgium: €287,760
- Audit services as auditor for the group's subsidiaries provided by associates of the auditor: €198,189
- Other assurance missions provided by the auditor: €58,365
- Other assurance missions provided by associates of the auditor: €23,421
- Other advisory services provided by associates of the auditor: €101,535

The mandate of the statutory auditor, Deloitte Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL, represented by Jurgen Kesselaers, will expire at the end of the Ordinary General Meeting on 14 May 2019.

Since subsidiary Fluxys Belgium is a public-interest entity and a contracting authority, it must comply with Regulation No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and therefore awards contracts in accordance with European procurement legislation, as introduced in Belgium.

By analogy with Fluxys Belgium, the Fluxys Audit Committee has recommended to the Fluxys Board of Directors that it propose to the Ordinary General Meeting that Ernst & Young Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL, represented by Marnix Van Dooren & C° BVBA/SPRL, represented by its permanent representative Marnix Van Dooren and Wim Van Gasse BVBA/SPRL, represented by its permanent representative Wim Van Gasse, be appointed as statutory auditor for a period of three years, expiring at the end of the Ordinary General Meeting in 2022.

It is also proposed to the General Meeting that the fees of the statutory auditor be fixed at an annual indexed amount of €110,010.



## 12. CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

### 1. General information on the company

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

**Group activities.** The Fluxys Group’s activities are essentially split into two main clusters.

The first focuses on the transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. In addition to these activities which fall under the Gas Act<sup>1</sup>, the Fluxys Group also carries out complementary services related to the activities described above.

The second essentially covers activities outside Belgium.

Please refer to the specific chapters in the directors’ report for further information on the activities of the Fluxys Group.

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<sup>1</sup> Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

## 2. Consolidated financial statements of the Fluxys Group under IFRS

### 2.1. Consolidated balance sheet

Consolidated balance sheet		In thousands of €	
	Notes	31-12-2018	31-12-2017
<b>I. Non-current assets</b>		<b>7,752,717</b>	<b>5,796,307</b>
Property, plant and equipment	5.1	5,554,625	4,071,140
Intangible assets	5.2	1,737,465	593,876
Goodwill	5.3	1,924	1,924
Investments in associates and joint ventures	5.4	240,456	551,351
Other financial assets	5.5/6	88,995	93,923
Other receivables	5.6/6	109,276	468,264
Deferred tax assets	5.15	1,311	0
Other non-current assets	5.6	18,665	15,829
<b>II. Current assets</b>		<b>839,015</b>	<b>698,299</b>
Inventories	5.7	40,069	29,891
Other current financial assets	6	1,340	4,088
Current tax receivable		12,285	2,851
Trade and other receivables	5.8/6	196,306	210,073
Cash investments	5.9/6	270,215	162,696
Cash and cash equivalents	5.9/6	296,558	265,668
Other current assets	5.10	22,242	23,032
<b>Total assets</b>		<b>8,591,732</b>	<b>6,494,606</b>

Consolidated balance sheet		In thousands of €	
	Notes	31-12-2018	31-12-2017
<b>I. Equity</b>	5.11	<b>3,622,519</b>	<b>2,331,044</b>
Equity attributable to the parent company's shareholders		2,138,962	1,805,236
<i>Share capital and share premiums</i>		1,785,471	1,782,781
<i>Retained earnings and other reserves</i>		387,970	42,161
<i>Translation adjustments</i>		-34,479	-19,706
Non-controlling interests		1,483,557	525,808
<b>II. Non-current liabilities</b>		<b>4,364,820</b>	<b>3,344,076</b>
Interest-bearing liabilities	5.12/6	3,330,377	2,723,882
Provisions	5.13.2	54,892	18,649
Provisions for employee benefits	5.14	68,469	62,517
Other non-current financial liabilities	6	5,735	2,006
Deferred tax liabilities	5.15	905,347	537,022
<b>III. Current liabilities</b>		<b>604,393</b>	<b>819,486</b>
Interest-bearing liabilities	5.12/6	370,643	637,257
Provisions	5.13.2	4,075	325
Provisions for employee benefits	5.14	4,650	3,984
Other current financial liabilities	6	993	0
Current tax payables		35,621	36,852
Trade and other payables	5.16/6	172,039	121,692
Other current liabilities		16,372	19,376
<b>Total liabilities and equity</b>		<b>8,591,732</b>	<b>6,494,606</b>

## 2.2. Consolidated income statement

Consolidated income statement		In thousands of €	
	Notes	31-12-2018	31-12-2017
Operating revenue	4.1	981,050	1,012,986
Sales of gas related to balancing operations and operational needs		117,388	73,083
Other operating income	4.2	12,611	10,273
Consumables, merchandise and supplies used	4.3.1	-4,280	-3,888
Purchase of gas related to balancing of operations and operational needs		-130,243	-81,649
Miscellaneous goods and services	4.3.2	-223,182	-220,183
Employee expenses	4.3.3	-130,685	-128,075
Other operating expenses	4.3.4	-11,040	-10,116
Net depreciation	4.3.5	-381,567	-419,367
Net provisions	4.3.5	7,960	6,400
Impairment losses	4.3.5	-448	831
<b>Profit/loss from continuing operations</b>		<b>237,564</b>	<b>240,295</b>
Earnings from associates and joint ventures	4.6	16,587	15,294
<b>Profit/loss before financial result and tax</b>		<b>254,151</b>	<b>255,589</b>
Change in the fair value of financial instruments	4.5.3	-5,544	-2,924
Net profit on changes in the consolidation scope	4.4.1	303,907	0
Financial income	4.4.2	22,835	21,270
Finance costs	4.5	-74,729	-95,832
<b>Profit/loss from continuing operations after net financial result</b>		<b>500,620</b>	<b>178,103</b>
Income tax expenses	4.7	-53,403	-12,994
<b>Net profit/loss for the period</b>	4.8	<b>447,217</b>	<b>165,109</b>
Fluxys share		409,508	120,476
Non-controlling interests		37,709	44,633

## 2.3. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		In thousands of €	
	Notes	31-12-2018	31-12-2017
<b>Net profit/loss for the period</b>	4.8	<b>447,217</b>	<b>165,109</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of employee benefits	5.13.1	5,441	-3,488
Income tax expense on these variances		-1,285	1,301
Other comprehensive income from investments in associates - Remeasurements of employee benefits		0	195
Tax expenses – variations in tax rates	(1)	0	36,399
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net investments in foreign operations – Translation adjustments (2)		13,104	-56,567
Net investments in foreign operations – Hedging instruments	6	-5,048	11,942
Tax expenses on these foreign exchange hedging instruments		1,268	-2,986
Cash flow hedges	6	5,087	4,019
Tax expenses on these cash flow hedging instruments		-1,229	-950
Other comprehensive income from investments in associates – Cash flow hedges		4,721	1,691
<b>Other comprehensive income</b>		<b>22,059</b>	<b>-8,444</b>
<b>Comprehensive income for the period</b>		<b>469,276</b>	<b>156,665</b>
Fluxys share		421,217	138,324
Non-controlling interests		48,059	18,341

(1) The corporate tax reform in Belgium has generated a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes on the liability side of the balance sheet is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement (see Note 2.23), i.e. the revaluation of property, plant and equipment (€37.7 million), the staggered taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.7 million). The balance of this revision is accounted for in the net profit/loss for the period (€31.8 million - see Notes 2.23 and 4.7.2).

(2) Impact due to the fall in GBP and CHF rates in 2017.

## 2.4. Consolidated statement of changes in equity

### Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Cash flow hedge (4)
<b>I. CLOSING BALANCE AS AT 31-12-2016</b>	<b>1,701,341</b>	<b>81,131</b>	<b>44,708</b>	<b>-12,976</b>
1. Net profit/loss for the period	0	0	120,476	0
2. Other comprehensive income	0	0	0	2,728
3. Dividends paid	0	0	-138,749	0
4. Changes in the consolidation scope	0	0	-305	0
5. Capital increases/decreases	276	33	0	0
6. Other changes	0	0	0	0
<b>II. CLOSING BALANCE AS AT 31-12-2017</b>	<b>1,701,617</b>	<b>81,164</b>	<b>26,130</b>	<b>-10,248</b>
1. Changes relating to the previous financial year	0	0	0	0
1.1. Changes in accounting policies affecting shareholders' equity (1)	0	0	1,329	0
<b>III. CLOSING BALANCE AS AT 01-01-2018 revised</b>	<b>1,701,617</b>	<b>81,164</b>	<b>27,459</b>	<b>-10,248</b>
1. Net profit/loss for the period	0	0	409,508	0
2. Other comprehensive income	0	0	0	6,161
3. Dividends paid	0	0	-138,839	0
4. Changes in the consolidation scope (2)	0	0	66,775	0
5. Capital increases/decreases	2,402	288	0	0
6. Other changes	0	0	0	0
<b>IV. CLOSING BALANCE AS AT 31-12-2018</b>	<b>1,704,019</b>	<b>81,452</b>	<b>364,903</b>	<b>-4,087</b>

(1) First application of IFRS 9 – see Note 1e.

(2) See Note 3.3.1, mainly Dunkerque LNG and Interconnector (UK).

Net investments in foreign operations (5)	Reserves for employee benefits	Translation adjustments	Other comprehensive income(3)	Equity attributable to the parent company's shareholders	Non- controlling interests	Total equity
-8,936	-5,295	5,684	0	1,805,657	598,244	2,403,901
0	0	0	0	120,476	44,633	165,109
9,766	-3,506	-25,390	34,250	17,848	-26,292	-8,444
0	0	0	0	-138,749	-60,636	-199,385
0	0	0	0	-305	-275	-580
0	0	0	0	309	-29,866	-29,557
0	0	0	0	0	0	0
<b>830</b>	<b>-8,801</b>	<b>-19,706</b>	<b>34,250</b>	<b>1,805,236</b>	<b>525,808</b>	<b>2,331,044</b>
				1,329	1,126	2,455
<b>830</b>	<b>-8,801</b>	<b>-19,706</b>	<b>34,250</b>	<b>1,806,565</b>	<b>526,934</b>	<b>2,333,499</b>
0	0	0	0	409,508	37,709	447,217
-3,072	3,947	4,673	0	11,709	10,350	22,059
0	0	0	0	-138,839	-35,999	-174,838
0	0	-19,446	0	47,329	944,563	991,892
0	0	0	0	2,690	0	2,690
0	0	0	0	0	0	0
<b>-2,242</b>	<b>-4,854</b>	<b>-34,479</b>	<b>34,250</b>	<b>2,138,962</b>	<b>1,483,557</b>	<b>3,622,519</b>

(3) Group share of the impact of the fiscal reform in Belgium (see comment on the consolidated statement of comprehensive income).

(4) Of which -€3.4 million comes from loans in CHF, -€0.7 million from loans in EUR (see Note 6).

(5) Of which -€2.1 million comes from investments in CHF, -€0.1 million from investments in USD (see Note 6).

## 2.5. Consolidated statement of cash flows (indirect method)

Consolidated statement of cash flows (indirect method)		In thousands of €	
	31-12-2018	31-12-2017	
<b>I. Cash and cash equivalents, opening balance</b>	<b>265,668</b>	<b>280,084</b>	
<b>II. Net cash flows from operating activities</b>	<b>541,735</b>	<b>569,292</b>	
<b>1. Cash flows from operating activities</b>	<b>606,078</b>	<b>677,477</b>	
<b>1.1. Profit/loss from continuing operations</b>	<b>237,564</b>	<b>240,295</b>	
<b>1.2. Non cash adjustments</b>	<b>352,478</b>	<b>461,947</b>	
1.2.1. Depreciation	381,567	419,367	
1.2.2. Provisions	-7,960	-6,400	
1.2.3. Impairment losses	448	-831	
1.2.4. Translation adjustments	-16,738	50,522	
1.2.5. Non cash adjustments	-4,839	-711	
<b>1.3. Changes in working capital</b>	<b>16,036</b>	<b>-24,765</b>	
1.3.1. Inventories	-2,278	-5,805	
1.3.2. Tax receivables	1,231	-638	
1.3.3. Trade and other receivables	38,395	-27,168	
1.3.4. Other current assets	1,466	-269	
1.3.5. Tax payables	-16,387	-638	
1.3.6. Trade and other payables	-1,682	8,679	
1.3.7. Other current liabilities	-4,261	328	
1.3.8. Other changes in working capital	-448	746	
<b>2. Cash flows relating to other operating activities</b>	<b>-64,343</b>	<b>-108,185</b>	
2.1. Current tax paid	-95,150	-114,299	
2.2. Interests from investments, cash and cash equivalents	15,163	14,007	
2.3. Inflows related to associates and joint ventures (dividends received)	13,952	148	
2.4. Other inflows (outflows) relating to other operating activities	1,692	-8,041	



**Consolidated statement of cash flows (indirect method)**

In thousands of €

	31-12-2018	31-12-2017
<b>III. Net cash flows relating to investment activities</b>	<b>248,642</b>	<b>-433,021</b>
<b>1. Acquisitions</b>	<b>-479,662</b>	<b>-407,726</b>
1.1. Payments to acquire property, plant and equipment, and intangible assets	-235,179	-167,224
1.2. Payments to acquire subsidiaries, joint arrangements or associates (1)	-104,188	-61,464
1.3. Payments to acquire other financial assets (2)	-140,295	-179,038
<b>2. Disposals</b>	<b>835,844</b>	<b>30,052</b>
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	4,477	1,925
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates (3)	326,556	9,122
2.3. Proceeds from disposal of other financial assets (2)	504,811	19,005
<b>3. Dividends received classified as investment activities</b>	<b>0</b>	<b>9</b>
<b>4. Subsidies received</b>	<b>0</b>	<b>2,116</b>
<b>5. Increase (-)/ Decrease (+) of cash investments</b>	<b>-107,540</b>	<b>-57,472</b>
<b>IV. Net cash flows relating to financing activities</b>	<b>-761,377</b>	<b>-141,125</b>
<b>1. Proceeds from cash flows from financing</b>	<b>591,123</b>	<b>729,324</b>
1.1. Proceeds from issuance of equity instruments	2,690	309
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	0	0
1.4. Proceeds from other non-current assets	1,684	1,684
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities (4)	586,749	727,331
<b>2. Repayments relating to cash flows from financing</b>	<b>-1,035,028</b>	<b>-574,569</b>
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Repayment of capital to non-controlling shareholders (5)	0	-29,866
2.3. Repayment of finance lease liabilities	-12,012	-6,993
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-1,023,016	-537,710

(1) In 2018, the acquisition of 5.39% in Dunkerque LNG €32.2 million - €4.8 million cash from Gaz-Opale) and 20% in Senfluga Energy Infrastructure Holdings (€40.5 million), as well as capital increases in TAP (€36.3 million).

(2) Shareholder loans were made to TAP until 2018, whilst TAP repaid these loans to the group in December 2018 once its external financing was completed.

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2018	31-12-2017
<b>3. Interests</b>	<b>-78,092</b>	<b>-79,746</b>
3.1. Interest paid classified as financing	-78,092	-79,746
3.2. Interest received classified as financing	0	0
<b>4. Dividends paid</b>	<b>-174,838</b>	<b>-199,385</b>
<b>5. Payments to increase the percentage of ownership of subsidiaries, without change of control (6)</b>	<b>-64,542</b>	<b>0</b>
<b>6. Other cash flows relating to financing activities (7)</b>	<b>0</b>	<b>-16,749</b>
<b>V. Net change in cash and cash equivalents</b>	<b>29,000</b>	<b>-4,854</b>
Translation adjustments in cash and cash equivalents	1,890	-9,562
<b>VI. Cash and cash equivalents, closing balance</b>	<b>296,558</b>	<b>265,668</b>

- (3) In 2018, income from the sale of the 50% held in Swedegas Holding and capital reductions in Dunkerque LNG.
- (4) With a view to refinancing a loan maturing in May 2018, Fluxys Belgium proceeded in October 2017 with a bond issue for €350 million.
- (5) Capital repayments by FluxSwiss and Gasbridge 1 and 2.
- (6) Payments corresponding to the additional 25.57% acquired in Interconnector (UK).
- (7) In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans and at the same time to unwind the cash-flow hedge instruments, these interest-rate swaps no longer being entirely effective in a negative interest rate environment. The amount paid for their unwinding is included in this item.

### 3. Notes

#### Note 1a. Shareholder structure and capital increases

As at 31 December 2018, Fluxys' shareholder structure was as follows:

- 77.54%: Publigas
- 19.91%: Caisse de dépôt et placement du Québec
- 2.13%: Federal Holding and Investment Company
- 0.42%: employees and management

In 2018, Fluxys proceeded to a capital increase for the group's employees and management of a total of €2.7 million.

#### Note 1b. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Group have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union. All amounts are stated in thousands of euro.

#### Note 1c. Judgement and use of estimates

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, to assess the positive and negative consequences of unforeseen situations and events at the balance sheet date, and to form a judgement as to the revenues and expenses of the financial year.

Significant estimates made by the group in the preparation of the financial statements relate mainly to the fair value of acquired assets and assumed liabilities, (see Note 3), the valuation of the recoverable amount of property, plant and equipment and intangible assets, (see Notes 5.1 and 5.2), and the valuation of provisions, in particular for litigation (see Notes 5.13 and 7) and for pension and related liabilities (see Note 5.14).

If the use of certain assets is closely linked to market demand, the group uses a depreciation method based on the expected use of the assets concerned. Future economic benefits which these assets represent are mainly consumed by the group as a result of their use. A change in market demand could lead to a prospective review of the depreciation method on certain assets. A decision to proceed to a review of the depreciation method will be based on the group's past experience for similar assets.

The criteria used for the classification of joint arrangements are included in the accounting policies (see Note 2.4) and Note 3.2.

Due to the uncertainties inherent in all valuation processes, the group revises its estimates on the basis of regularly updated information. Future results may differ from these estimates.

Beside the use of estimates, group management also uses judgement in defining the accounting treatment for certain operations and transactions not addressed under the IFRS standards and interpretations concerned.

Therefore, in the balance sheet, the group records the regulatory liabilities corresponding to the excess of regulated revenue received according to the real costs to be covered by the authorised regulated tariffs. This difference is transferred to the income statement via the operating revenue to the balance sheet in the interest-bearing liabilities (non-current and current - See Notes 5.12.4 and 5.12.5).

The regulatory assets are accounted for (in the other non-current receivables or in the current trade and other receivables in the balance sheet) when the regulated revenue received is lower than the real costs to be covered by the authorised regulated tariffs. These latter are recognised inasmuch as the group considers their recovery highly likely.

This accounting method (see Note 2.20) has been determined by the group as no definitive guidance on 'rate-regulated activities' has been published to date.

## Note 1d. Date of authorisation for issue

The Board of Directors of Fluxys SA authorised these IFRS financial statements for issue on 27 March 2019.

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

The accounting principles and policies were amended after the adoption on 1 January 2018 of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

The amendments made to the accounting principles and policies (see Note 2) are underlined.

They have no material impact on the results for the financial year.

### a. IFRS 9 Financial instruments

IFRS 9 'Financial Instruments' introduces amendments on the subject of:

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

### Classification and measure of financial assets

#### Equity instruments

Fluxys and its subsidiaries have decided to measure the unconsolidated equity instruments at fair value through other comprehensive income. Dividends earned are accounted for in profit/loss. However, given the materiality of certain instruments and the unavailability of recent market values, certain equity instruments are accounted for at the initial cost.

### Financial assets other than equity instruments

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

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

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

### **Expected credit losses**

#### Measurement of expected credit losses on trade receivables

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

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

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

#### Measurement of expected credit losses on other financial assets

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

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

#### Calendar of accounting of expected credit losses over lifetime

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

#### Definition of significant credit risk increases

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

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

#### Definition of default

A financial asset is impaired where one or more events have occurred with a negative effect on the future estimated cash flows of this financial asset. The indications of the impairment of a financial asset encompass data that may be observed on the following events:

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

### Write-downs

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

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

### **Hedge accounting**

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

The group consolidated financial statements are not significantly affected by the changes in hedge accounting.

In accordance with the transitional provisions of IFRS 9, the group has prospectively applied the requirements under IFRS 9 for hedge accounting from the date of initial application, i.e. 1 January 2018. Hedge relationships applicable from 1 January 2018 maintain their qualification as such in accordance with IFRS 9. No restatement was therefore necessary. As the essential conditions for hedging instruments are identical to the corresponding hedged items, all hedge relationships continue to be effective as regards the hedge effectiveness requirements under IFRS 9.

### **b. IFRS 15: Revenue from contracts with customers**

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

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

The contracts entered into with customers by Fluxys and its subsidiaries allow a relatively easy allocation of the transaction price to the various performance obligations, perfectly in line with the current principles applied.



It should be noted that the revenue from transmission, storage and terminalling is recognised, for the most part, based on reserved capacities. The related services provided by the group mainly correspond to performance obligations satisfied over time.

#### **a. Impact on the financial statements**

Given the limited impact of IFRS 9 on its financial statements, the group has decided to use this standard's option not to restate comparative financial statements.

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

	Notes	Original classification under IAS39	New classification IFRS 9
<b>Other financial assets</b>	<b>5.5</b>		
Shares at cost	5.5.1	Fair value through other comprehensive income	
Investment securities	5.5.2	Fair value through profit or loss	
Investment securities	5.5.2		Amortised cost
Other financial assets at fair value	5.5.4	Fair value through other comprehensive income	Fair value through other comprehensive income
Other financial assets at cost		Amortised cost	Amortised cost
<b>Other receivables</b>	<b>5.6</b>		
Non-current loans	5.6.1	Amortised cost	Amortised cost
Calls for funds and others	5.6.2	Amortised cost	Amortised cost
<b>Other current financial assets</b>	<b>6</b>	Fair value through other comprehensive income	Fair value through other comprehensive income
<b>Trade and other receivables</b>	<b>5.8</b>		
Trade receivables	5.8.1	Amortised cost	Amortised cost
Other receivables		Amortised cost	Amortised cost
<b>Cash investments, cash and cash equivalents</b>	<b>5.9</b>		
Short term investments		Fair value through profit or loss	
Short term investments			Amortised cost
Short term investments - Others		Amortised cost	Amortised cost
Term deposits		Amortised cost	Amortised cost
Term deposits		Amortised cost	Amortised cost
Cash at bank		Amortised cost	Amortised cost
Cash in hand		Amortised cost	Amortised cost
<b>Non-current liabilities</b>			
<b>Interest-bearing borrowings</b>			
Bank loans Fluxswiss	(1)		
Bank loans Transitgas	(1)		
<b>TOTAL</b>			

## IFRS9 transition table

(in thousands of €)

Original carrying amount under IAS 39 at 31/12/17 (A)	Reclassification (B)	Remeasurement impact from reclassifications and modifications of the debts on Retained Earnings (C)	Impact of expected credit losses on Retained Earnings (D)	New carrying amount under IFRS 9 at 01/01/18 = (A) + (B) + (C) + (D)
2.777	0	0	0	2.777
81.092	-76.092	0	0	5.000
	76.092	681	-20	76.753
9.801	0	0	0	9.801
253	0	0	0	253
				0
				0
110.673	0	0	0	110.673
357.591	0	0	-47	357.544
				0
4.088	0	0	0	4.088
				0
				0
151.207	0	0	-66	151.141
58.866	0	0	-32	58.834
40.153	-40.153	0	0	0
0	40.153	-158	-36	39.959
122.543	0	0	0	122.543
43.658	0	0	-61	43.597
30.007	0	0	-3	30.004
191.969	0	0	0	191.969
34	0	0	0	34
-184.149	0	3.286	0	-180.863
-126.672	0	-521	0	-127.193
	<b>0</b>	<b>3.288</b>	<b>-265</b>	

The impact on financial assets and liabilities amounts to €3,023 thousand. Therefore, the impact on retained earnings amounts to €2,455 thousand and the impact on deferred taxes to €568 thousand.

- (1) In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans. When the loans measured at amortised cost are amended without this amendment entailing derecognition, the profit/loss arising therefrom is immediately transferred to the income statement. The gain or loss corresponds to the difference between the original contractual cash flows and the amended cash flows discounted at the original effective interest rates. The effects of this renegotiation affected the retained earnings in the opening balance sheet during the transition to IFRS 9, this gain not having been transferred to the income statement based on IAS 39.

## Note 1f. Adoption of new accounting principles or revised IFRS standards

The following standards and interpretations are applicable as from 1 January 2018:

- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and measurement of share-based payment
- Amendments to IFRS 4 Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts
- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 1, IFRS 12 and IAS 28
- IFRIC 22 Foreign currency transactions and advance consideration
- IFRS 9 Financial instruments and consequential amendments
- IFRS 15 Revenue from contracts with customers

The impact of the norms that apply since 2018 is documented in Note 1e.

At the date of authorisation of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:

- Amendments to IAS 1 and IAS 8 Amendment to the definition of “material” (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Amendments to IFRS 9 Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (date of entry into force postponed indefinitely as a result of which adoption at European level has also been postponed)
- Amendments to the Conceptual Framework for Financial Reporting in IFRS standards (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Annual improvements to IFRS (2015-2017 round) (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016, but not yet adopted at European level)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2021 but not yet adopted at European level)

## IFRS 16 - Leases

### Overall impact

IFRS 16 provides a complete model for identifying leases and their accounting treatment in the financial statements. This standard will replace the current guidelines on leases, including IAS 17 Leases and the associated interpretations since its entry into force, i.e. on 1 January 2019. The Fluxys group intends to apply IFRS 16 based on the modified retrospective method by recognising the cumulative effect of the initial application of IFRS 16 as an adjustment to the opening balance of retained earnings.

### Impact of the new definition of 'lease'

The change in the definition of a 'lease' primarily relates to the notion of control.

To determine whether a lease confers the right to control use of a determined asset for a determined period of time, the entity must appreciate whether the customer, throughout the period of use, has the right to:

- obtain substantially all of the economic benefits from the use of the asset; and
- direct the use of the asset.

### Impact on the accounting of lessees

At the time of the first application of IFRS 16, the Fluxys group:

- will recognise the right-of-use assets and lease liabilities in the consolidated financial statements, initially valued at the present value of future payments;
- will include the amortisation of 'right-of-use' assets in the results over the anticipated contract duration;
- will separate the total amount of lease payments into a principal to reduce the lease liabilities and a part for the interest accounted for in the results for

all leases, except:

- short-term leases (duration of 12 months or less) and
- leases for low-value assets with little material impact for the group.

For these latter, the Fluxys group will recognise a lease expense directly in the income statement.

#### Leases within the scope of IFRS 16

The review of the application of IFRS 16 to financial statements reveals the following impact:

- Certain transmission or LNG terminal facilities (Dunkirk and Zeebrugge) are built on sites for which the group has long-term concessions (see Note 7.5). The group also has leases for facilities, spaces and vehicles with a duration of more than one year (see Note 4.3.2 and 7.5)).
- The assets that will be recognised as conveying a right-of-use in the opening balance sheet as at 1 January 2019 and the related lease obligations are, at the present stage, valued as:
  - Sites for which the group has concessions: €84.8 million,
  - Technical facilities leased for more than one year: €5.7 million,
  - Office, archive and parking spaces leased for more than one year: €4.9 million and
  - Vehicles leased for more than one year: €4.7 million.



## Note 2. Accounting principles and policies

The accounting principles and policies were approved at the Fluxys Board of Directors meeting of 27 March 2019.

Changes or additions compared with the previous financial year are underlined.

### 2.1. General principles

The financial statements fairly present the Fluxys Group's financial position, results of operations and cash flows.

The group's financial statements have been prepared on the accrual basis of accounting, except for the cash flow statement.

Assets and liabilities have not been offset against each other, except when required or allowed by an international accounting standard.

Current and non-current assets and liabilities have been presented separately in the balance sheet of Fluxys Group.

The accounting policies have been applied in a consistent manner.

### 2.2. Balance sheet date

The consolidated financial statements are prepared as of 31 December, i.e. the parent entity's balance sheet date.

When the financial statements of a subsidiary, a joint operation, a joint venture or an associate are not prepared as of 31 December, interim financial statements are prepared as at 31 December for consolidation purposes.

### 2.3. Events after the balance sheet date

The book value of assets and liabilities at the balance sheet date is adjusted when events after the balance sheet date provide evidence of conditions that existed at the balance sheet date.

Adjustments can be made until the date of authorisation of the financial statements by the Board of Directors.

Other events relating to circumstances arising after balance sheet date are disclosed in the notes to the consolidated financial statements, if significant.

### 2.4. Basis of consolidation

The Fluxys Group's consolidated financial statements have been prepared in accordance with IFRS and in particular with IFRS 3 (Business Combinations), IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IAS 28 (Investments in Associates and Joint Ventures).

#### Subsidiaries

The Fluxys Group's consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities it controls and its subsidiaries.

The investor controls an investee when it is exposed—or has rights—to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investor has power over the investee when it holds existing rights that give the current ability to direct the relevant activities, i.e. the activities of the investee that significantly affect the investee's returns, even if it does not hold the majority of the voting rights in the investee concerned.

The parent entity must consolidate the subsidiary as of the date it obtains the control over it, and must cease to consolidate when it loses control over it. In this way revenues and

charges of a subsidiary acquired or transferred in the course of the financial year are included in the consolidated income statement and in the consolidated statement of comprehensive income as of the date on which the parent entity acquired the control over the subsidiary and up to the date on which it ceased to control the latter.

### **Joint operations**

A joint operation is a partnership in which the parties which exercise joint control over the company have rights to the assets and obligations for liabilities relating thereto. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

When a group entity carries out its activities in the framework of a joint operation, the group, as a co-participant, must account for the assets, liabilities, revenues and charges relating to its interests in the joint operation in accordance with the IFRS which apply to these assets, liabilities, revenues and charges.

### **Investments in associates and joint ventures**

An associate is an entity in which the group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over these policies.

A joint venture is a joint arrangement in which the parties exercising joint control over the undertaking have rights to the net assets of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

The results, assets and liabilities of associates or joint ventures are accounted for in the present consolidated financial statements in accordance with the equity method, unless the investment, or a part thereof, is classified as an asset held for sale in accordance with IFRS 5.

An investment in an associate or joint venture is initially accounted for at cost. It then integrates the share of the group in the net results and the other elements of the comprehensive result of the undertaking accounted for under the equity method. Finally dividends distributed by this entity decrease the value of the investment.

An associate is not accounted for under the equity method if its impact on the financial statements is immaterial.

## **2.5. Business combinations**

The group accounts for all business combinations using the acquisition method. This method is also used for business combinations under joint control in the event that the method is in line with the substance of the transaction and helps to give a true and fair view of the financial position.

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The costs connected to the acquisition are accounted for in the results when they are made.

Goodwill represents the surplus, at the acquisition date, of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree over the net fair value of identifiable assets acquired and liabilities assumed.

If after revaluation, the net fair value at the acquisition date of identifiable assets acquired and liabilities assumed is higher than the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree, the surplus will be accounted for immediately in the results of the period.

Goodwill is recognised as an asset. For the purpose of impairment tests, goodwill is allocated to the Group's cash-generating units expected to benefit from the synergies of the combination. An impairment test is carried out each year, even when there is no indication that goodwill may have been impaired, or more frequently if events or changes in circumstances indicate that goodwill may have been impaired (IAS 36 – Impairment of assets).

In case of a business combination realised in stages, the group reassesses the participation it previously held in the acquired company at the acquisition-date fair value and accounts for any gain or loss in the net results.

Changes in participations in subsidiaries of the group which do not result in a loss of control are recognised as equity transactions.

When the group loses control of a subsidiary, a gain or loss is accounted for in the net results and is calculated as the difference between:

- the total fair value of the consideration received and the fair value of any retained participation and
- the previous book value of the subsidiary's assets (including goodwill) and liabilities.

All amounts previously recognised in other items of comprehensive income relating to the subsidiary are recognised as if the group had directly disposed of the related subsidiary's assets or liabilities. They are reclassified to net results or transferred to another category of equity in accordance with applicable IFRS.

The fair value of any participation retained in the former subsidiary at the date of loss of control must be regarded as the fair value on initial recognition for subsequent recognition under IFRS 9 or, where applicable, as the cost on initial recognition of an investment in an associate or joint venture.

## 2.6. Translation of foreign entities' financial statements

For consolidation purposes, the assets and liabilities of the group's foreign operations are translated into euro using the closing rate and the income and expenses are translated using the average exchange rate for the period unless the exchange rate has fluctuated considerably.

The group's share of the resulting exchange differences is reported as translation adjustment in the equity section of the balance sheet, whereas the non-controlling interests' share in those differences is reported as 'non-controlling interests' in equity.

## 2.7. Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

Intangible assets are recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Intangible assets with a limited useful life are depreciated over their useful life.

The main depreciation periods are as follows:

- 40 years for the fixed asset 'sole operator of the natural gas transmission network and storage facilities' in Belgium;
- 20 to 45 years for the customer portfolios;
- 20 years for the fixed asset 'sole operator of the LNG facilities';
- 5 years for computer softwares.

Intangible assets 'customer portfolios' may be depreciated under a diminishing balance method which reflects more closely the way that the Group expects to consume the future economic benefits associated with these assets.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

Intangible assets are reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In case such indications are noted, an estimate of the recoverable amount of the related intangible assets is made. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Intangible assets are impaired when their book value exceeds the amount that can be recovered by the company, as a result of obsolescence of these assets or due to economic or technological circumstances.

Intangible assets with an indefinite useful life are subject to an annual impairment test, and are impaired when their book value exceeds their recoverable amount.

The useful life, the depreciation method, as well as the potential residual value of intangible assets are reassessed at each balance sheet date and revised prospectively, if applicable.

### **Emission rights for greenhouse gases**

Emission rights for greenhouse gases acquired at fair value are recognised as intangible assets at their acquisition cost. Rights granted free of charge are recognised as intangible assets at a nil book value.

The emission of greenhouse gases in the atmosphere is recognised as an operating expense, the counterpart being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts).

This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

This liability is derecognised on the delivery of allowances to the government by withdrawing emission rights from intangible assets.

In case the allowances are insufficient to cover the emission of greenhouse gases during the financial year, the group accounts for a provision. This provision is measured by reference to the market price at the balance sheet date of the allowances yet to be purchased.



The excess emission rights not sold on the market are valued at the balance sheet date by reference to the weighted average cost of the acquired or granted allowances, or at market value if lower than the weighted average cost.

## **2.8. Property, plant and equipment**

Property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

PPE is recognised at cost in the balance sheet (cost method), less any accumulated depreciations and any accumulated impairment losses.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

PPE is reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In the event that such indications are noted, an estimate of the recoverable amount of the related PPE is made. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use. The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards included in the ownership of an asset to the lessee. Assets held under these contracts are recognised at the lower of their fair value and the present value of the minimum lease payments under the lease contracts. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance costs and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

### **Capital subsidies and tax deductions for investment**

Subsidies related to property, plant and equipment as well as contributions by third parties in the funding of such assets are deducted from the acquisition cost of these assets.

The tax benefit arising from the deductions for investment reduces the gross value of the related assets, the counterpart being deferred taxes.

### **Depreciation methods**

PPE is depreciated over its useful life.

Each significant component of PPE is recognised separately and depreciated over its useful life.

The depreciation method reflects the rate at which the group expects to consume the future economic benefits related to the asset, taking into account the time during which the assets may generate regulated revenue.

The regulated investments intended to increase the security of supply in Europe are depreciated under a diminishing balance method, which more accurately reflects the rate at which the group expects to consume the future economic benefits of these assets.

The maximum useful lives are as follows:

- 50 to 55 years for transmission pipelines, terminalling facilities and tanks;
- 50 years for administrative buildings, staff housing and facilities;
- 40 years for storage facilities;
- 33 years for industrial buildings;
- 20 years for investments related to the extensions of the Zeebrugge LNG terminal;
- 10 years for equipment and furniture;
- 5 years for vehicles and site machinery;
- 4 years for computer hardware;
- 3 years for prototypes;
- 10 to 40 years for other installations.

The useful life, the depreciation method, as well as the potential residual value of property, plant and equipment are reassessed at each balance sheet date and revised prospectively, if applicable.

## **2.9. Unconsolidated investments (such as shares and equity rights)**

The Fluxys group values the unconsolidated equity instruments at fair value through other comprehensive income.

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

The dividends received for these equity instruments are recognised in financial income under the item 'Dividends from unconsolidated entities'

## 2.10. Finance lease receivables

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognised on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question.

Lease payments are apportioned between financial income and a reduction of the lease receivable so as to achieve a constant rate of return on the net investment by the group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the following criteria is adopted: a contract is considered as finance lease if the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset at the start of the lease contract.

No residual value is assumed for gas transmission assets in Belgium, due to the specific nature of the activities concerned.

## 2.11. Inventories

### Valuation

Inventories are valued at the lower of cost and net realisable value.

Inventories are written down to account for:

- a reduction in net realisable value, or
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

These write-downs on inventories are recognised in the income statement in the period in which they arise.

### Gas inventory

Gas inventory changes are valued under the weighted average cost method.

### Supplies and consumables

Supplies and consumables are valued under the weighted average cost method.

### Work in progress

Work in progress for third parties is valued at cost, including indirectly attributable costs.

When the outcome of a contract can be reliably estimated, contract revenue and expenses are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date.

Any expected loss is recognised immediately as an expense in the income statement.

## 2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial period of time to get ready for their intended use (property, plant

and equipment, inventories, investment property, etc.) are added to the costs of the assets concerned until they are ready for use or sale.

The amount of the borrowing costs to be capitalised is the actual cost incurred in borrowing the funds, as reduced by income from any temporary investment of these funds.

## 2.13. Financial instruments

### Cash investments

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

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

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

### Derivative instruments

The Fluxys Group uses derivative financial instruments to hedge its exposure to exchange and interest rate risks.

### Derivative instruments designated as hedging instruments

The Fluxys Group classifies certain derivative financial instruments as hedging instruments for foreign exchange risks as well as for interest rate risks in the cash flow hedges or net investment hedges in foreign entities.

### Hedge designation and hedge effectiveness

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Changes in the fair value of financial instruments designated as hedges of a net investment in an activity abroad, and which meet the associated conditions, are recognised directly in equity provided that they relate to the effective portion of the hedge and that the changes in fair value result from changes in exchange rate.

Gains or losses on hedging instruments recognised directly in equity must be recognised in the income statement when the activity abroad leaves the consolidation scope.

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

### Derivative instruments not designated as hedging instruments

Certain financial instruments, although hedging clearly defined risks, do not meet the criteria for the application of hedge accounting under IFRS 9 (Financial instruments).

Changes in the fair value of these financial assets are directly recognised in the income statement.

#### **2.14. Cash and cash equivalents**

Cash and cash equivalents include short-term investments, short-term bank deposits and deposits readily convertible to a known cash amount, and which are subject to an insignificant risk of changes in value (maximum of three months).

Cash and cash equivalents held are reported as financial assets measured at amortised cost.

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

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

#### **2.15. Trade and other receivables**

Trade and other receivables are stated at their face value reduced by any amounts deemed unrecoverable.

When the time value of money is significant, trade and other receivables are discounted.



## 2.16. Provisions

Provisions are recognised as a liability in the balance sheet when they meet the following criteria:

- the group has a present (legal or constructive) obligation arising from past events, and
- it is probable (i.e. more likely than not) that the settlement of this obligation will lead to an outflow of resources embodying economic benefits, and
- the amount of the obligation can be reliably estimated.

No provision is recognised if the above conditions are not met.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words the amount the entity reasonably expects to need to pay to discharge the obligation at balance sheet date, or to transfer it to a third party at the same date.

This estimation is based either on a request from a third party or on estimates or detailed calculations. For all provisions recognised, management considers that the probability of an outflow of resources exceeds 50%.

When the time value of money is significant, provisions are discounted. The discount rate used is a rate before tax reflecting current market estimates of the time value of money and taking into account any risks associated with the type of liability in question.

All risks incurred by the group that do not comply with the above-mentioned criteria are disclosed as contingent liabilities in the Notes.

### **Employee benefits**

Some companies in the Fluxys Group have established supplementary 'defined benefit' or 'defined contribution' pension plans. Benefits provided under these plans are based on the number of years of service and the employee's salary.

'Defined benefit' pension plans enable employees to benefit from a capital sum calculated on the basis of a formula which takes into account of their annual salary at the end of their career and their seniority when they retire.

'Defined contribution' pension plans provide employees with a capital sum accumulated from personal and employer contributions based on their salary.

In Belgium, the law requires that the employer guarantees a minimum return for defined contribution plans, which varies based on market rates.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit' plans.

In case of death before retirement, these plans provide, in Belgium, a lump sum for the surviving spouse and benefits for the orphans.

### **Other employee benefits:**

Certain group companies offer their employees post-employment benefits such as the reimbursement of medical costs and tariff reductions, and other long-term benefits (seniority premiums).

## Valuation

These liabilities are valued annually by a qualified actuary.

Regular payments made in relation to the supplementary pension plans are recognised as expenses at the time they are incurred.

## 'Defined benefit' pension plans

Provisions for pensions and other collective agreements are reported in the balance sheet in accordance with IAS 19 (Employee Benefits), using the projected unit credit method (PUCM).

The current value of post-employment benefits is determined at each balance sheet date based on the estimated projected salary at the end of the employee's career, the rate of inflation, life expectancy, staff turnover and the expected age of retirement. The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds with maturity dates close to the weighted average maturity of the plans concerned and which are denominated in the currency in which the benefits are to be paid.

Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).

The amount accounted for in respect of post-employment liabilities corresponds to the difference between the current value of future obligations and the fair value of assets in the plan destined to cover them. Any deficit resulting from this valuation is subject to the recognition of a provision to cover this risk. In the opposite case, an asset is recognised in line with the surplus of the benefit pension plan, capped at the current value of any future reimbursement from the plan or any reduction in future contributions to the plan.

The remeasurements of the liabilities or assets in the balance sheet comprise:

- the actuarial gains or losses on the defined benefit liabilities resulting from adjustments relating to experience and/or changes in actuarial assumptions (including the effect of the change in the discount rate);
- the return on plan assets (excluding amounts included in net interest) and changes in the effect of the asset ceiling (excluding amounts included in net interest).

These remeasurements are directly recognised in equity ('Other comprehensive income') through the other items in comprehensive income.

### **'Defined contribution' pension plans**

The liabilities of the group with regard to 'defined contribution' plans are limited to the employer contributions paid, recorded in the results.

### **Actuarial gains and losses relating to other long-term employee benefits**

The other long-term benefits are accounted for in the same way as the post-employment benefits, but remeasurements are fully accounted for in the financial results in the financial year in which they occur.

### **2.17. Interest-bearing liabilities**

Interest-bearing liabilities are recognised at the net amount received. Following initial recognition, interest-bearing liabilities are recorded at amortised cost. The difference between the amortised cost and the redemption value is recognised in the income statement under the effective interest rate method over the term of the liabilities.

When a financial liability measured at amortised cost is amended without this amendment entailing derecognition, the profit/loss arising therefrom is immediately transferred to the income statement. The gain or loss corresponds to the difference between the original contractual cash flows and the amended cash flows discounted at the original effective interest rates.

### **2.18. Trade payables**

Trade payables are stated at face value. When the time value of money is significant, trade payables are discounted.

## 2.19. Foreign currency assets, rights, borrowings and liabilities

### Recognition at the date of the transaction

Foreign currency receivables and payables are measured at the exchange rate prevailing at the transaction date.

### Measurement at balance sheet date

At balance sheet date, in accordance with IAS 21 (Effects of Changes in Foreign Exchange Rates), monetary assets and liabilities, as well as rights and liabilities, are valued at the closing rate.

The resulting foreign currency translation gains and losses are recognised in the income statement.

## 2.20. Revenue recognition

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

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

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

Group revenues mainly come from transmission, storage and terminalling service contracts for which both the services to be provided and the price of the service are clearly identified. Revenues from these contracts are mainly recognised based on reserved capacities.

Fluxys and its subsidiaries transfer the control of their services progressively and in doing so meet their performance obligation and account for operating revenue progressively. Furthermore, the Fluxys group makes sales of gas that are necessary for balancing operations and its operational needs. These services, fulfilled at a specific time, are recognised in operating revenue from the time of their fulfilment.

Regulated income received by the group may generate a gain or a loss compared with the target rate of return on the capital invested.

Gains are reported and recognised as regulatory liabilities (under interest-bearing liabilities, current or non-current receivables), whereas losses are included in operating revenue with corresponding recognition of regulatory assets (under other non-current receivables or in current trade and other receivables).

## **2.21. Recognition and derecognition of financial assets and liabilities**

### **Recognition**

Financial assets and liabilities are recognised when the group becomes party to the instrument's contractual terms.

### **Derecognition of financial assets**

The group has to derecognise a financial asset if and only if the contractual rights on the cash flows of the financial asset expire, or where it transfers almost all the risks and advantages inherent to the ownership of the financial asset to a third party.

If the group doesn't transfer, or keeps almost all the risks and advantages inherent to the ownership of the financial asset and it keeps control of the asset transferred, the group continues to recognise the financial asset to the degree that its implication in it continues and an associated liability for the amount owed.

If the group keeps almost all the risks and advantages inherent to the ownership of the financial asset, it continues to recognise the whole financial asset and recognises a financial liability for the consideration received.

When a financial asset measured at amortised cost is derecognised, the difference between the amortised cost and the sum of the considerations received is transferred to the income statement.

When an investment in equity instruments until now measured at fair value with changes to other comprehensive income are derecognised, the accumulated profit/loss recognised previously in other comprehensive income is not reclassified to net income.

### **Derecognition of financial liabilities**

The entity derecognises a financial liability only if this liability is extinguished, i.e. once the obligation is fulfilled, cancelled or it expires.

The difference between the book value of an extinguished financial liability and the consideration paid, including, where applicable, the assets (non-cash) transferred and the liabilities acquired must be recognised in net income.

### **2.22. Expected credit losses and write-downs**

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

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



A financial asset is impaired where one or more events have occurred with a negative effect on the future estimated cash flows of this financial asset. The indications of the impairment of a financial asset encompass data that may be observed on the following events:

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

### **2.23. Income taxes**

Current tax is determined in accordance with local tax regulations and calculated on the income of the parent entity, subsidiaries and joint operations.

Deferred tax liabilities and assets reflect, respectively, the future taxable and deductible temporary differences between the book value and the tax base of assets and liabilities. Deferred tax liabilities and assets are measured at the income tax rate applicable to the financial year in which the underlying asset is expected to be realised or the underlying liability settled, considering the new rates if they are enacted or substantially enacted at the closing date.

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

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the future deductible temporary differences can be offset.

## Note 3. Investments

### 3.1 Consolidation scope

The consolidation scope changed as follows in 2018:

#### 3.1.1 Acquisitions

##### Fluxys Europe and its subsidiaries

##### **Senfluga Energy Infrastructure Holdings SA and Desfa**

On 2 February 2018, Fluxys participated in the incorporation of Senfluga Energy Infrastructure Holdings SA for 20% through a consortium created with Snam (60%) and Enagás Internacional S.L.U. (20%).

On 20 December 2018, this company, established in Greece, acquired a 66% stake in DESFA, the natural gas system operator in Greece.

The capital injection from Fluxys Europe in Senfluga Energy Infrastructure Holdings SA goes up to €40.5 M (see Note 5.4). This company is accounted for using the equity method. Senfluga has no effect on the group results in 2018, DESFA having been acquired at the end of December. The estimate of the future impact on results is in the region of €4 million per year.

##### **Interconnector (UK)**

In the first half year of 2018, the group acquired an additional 25.57% stake in Interconnector (UK) for €64.5 million (see Point IV.5 of the consolidated cash flows table). The group now holds 76.32% in Interconnector (UK). This acquisition in fact corresponds to a buyback of part of the non-controlling interests in the liability side of the balance sheet. The price paid, which is lower than the consolidated value, affected the 'retained earnings' and 'translation adjustments' items in the group's equity.

##### **GasBridge 1**

Fluxys Europe held a 50% stake in the entities Gasbridge 1 and Gasbridge 2, in consortium with SNAM, which also held 50% in these two entities. In April 2018, the shareholders mutually decided to go ahead with a stock swap. As a result, Fluxys Europe now holds 100% of Gasbridge 1 shares and SNAM holds 100% of Gasbridge 2 shares. The Fluxys group still fully consolidates Gasbridge 1, now without non-controlling interests. However, Gasbridge 2 is no longer included in the entities accounted for using the equity method in 2018. This stock swap has no material impact on the group's consolidated financial statements.

### **FluxDune, Dunkerque LNG Holding, Dunkerque LNG and Gaz-Opale**

FluxDune was incorporated by Fluxys Europe on 8 June 2018 with a share capital of €61,500.

Fluxys Europe furthermore held 25% of the share capital of Dunkerque LNG, the remainder of the shares being held by EDF Développement Environnement SA (EDEV) and Total Gaz Electricité Holdings France SAS (Total) (65.01% and 9.99% respectively).

On 12 July 2018, FluxDune entered into two share acquisition contracts with EDEV and Total with a view to acquiring 31% and 4.76% respectively of the shares and voting rights they held in Dunkerque LNG.

Beforehand, and with a view to carry out this acquisition, the companies AXA Infrastructure Equity I (AXA Infrastructure) and Crédit Agricole Assurances (CAA) participated in a capital increase of FluxDune, alongside Fluxys Europe, the latter having injected €82.7 million in capital.

Fluxys Europe wished to manage all of its stake in Dunkerque LNG via FluxDune. To this end, it made a contribution in kind of its existing 25% stake in Dunkerque LNG into FluxDune.

At the end of these transactions, the shareholding of FluxDune is made up of Fluxys Europe, for 50.01%, alongside AXA Infrastructure and CAA, each holding 24.995% of the shares in the company.

In October 2018, FluxDune closed the acquisition of 35.76% in Dunkerque LNG alongside EDEV and Total. From these transactions, FluxDune held 60.76% of the capital and voting rights in Dunkerque LNG.

From this date, the Fluxys group has a controlling interest in Dunkerque LNG and Gaz-Opale. These 2 companies are therefore fully consolidated since November 2018. This acquisition of a controlling interest in the Dunkirk LNG terminal forms part of the Fluxys group's growth strategy. As the Fluxys group is the owner of the Zeebrugge LNG terminal, the company will be able to benefit from the expertise of its reference shareholder and the group synergies to pursue the industrial development of the LNG terminal at Dunkirk.

These business combinations were accounted for by applying the acquisition method prescribed by IFRS 3 (Business Combinations).

The initial accounting for these business combinations is incomplete as at the balance sheet date of the present financial statements and will be finalised in October 2019 at the latest. Its completion may lead the group to adapt the fair value of the assets and liabilities provisionally determined.

As a result of the fair value adjustment of assets and liabilities, an amount of €342 million was allocated to property, plant and equipment, corresponding mainly to the activation of the financing cost during construction, and an amount of €1,234.7 million was allocated to the estimated value of the sales contracts and licences of Dunkerque LNG. Deferred tax in the liability side of the balance sheet essentially corresponds to the difference between the book value and taxable value of property, plant and equipment and intangible assets. As the provisional fair value of the assets and liabilities corresponds to the price paid, no goodwill has been accounted for.

The group has obtained a gain following the fair value accounting of the 25% stake initially held in Dunkerque LNG (€280.1 million, see Note 4.4.1). The stakes held previously in

Dunkerque LNG and Gaz-Opale are therefore no longer accounted for using the equity method by the group since November 2018.

### Dunkerque LNG at 100% – Valuation incomplete on the balance sheet date

#### Assets acquired and liabilities assumed at fair value as at 31-10-2018 in € thousand

<b>I. Non-current assets</b>	<b>2,735,864</b>
Property, plant and equipment	1,496,621
Intangible assets	1,239,122
Other financial assets	121
<b>II. Current assets</b>	<b>109,348</b>
Trade and other receivables	49,064
Cash and cash equivalents	50,570
Other current assets	9,714
<b>III. Non-current liabilities</b>	<b>-1,245,367</b>
Interest-bearing liabilities	-794,825
Provisions	-48,084
Deferred tax liabilities	-402,458
<b>IV. Current liabilities</b>	<b>-62,932</b>
Interest-bearing liabilities	-2,686
Current tax payables	-19,823
Trade and other payables	-39,166
Other current liabilities	-1,257
<b>Total of assets acquired and liabilities assumed</b>	<b>1,536,913</b>

Dunkerque LNG	In € thousands	
<b>Total of assets acquired and liabilities assumed</b>		<b>1,536,913</b>
Share of non-controlling interests	69.61%	1,069,877
Group share	30.39%	467,036
25% stake held before acquisition at fair value	25.00%	384,228
<b>Additional stake acquired by the group in October 2018</b>	<b>5.39%</b>	<b>82,808</b>
Cash and cash equivalents in Dunkerque LNG at the date of the acquisition of a controlling interest		-50,570
<b>Net acquisition price - see consolidated cash flow table III.1.2</b>		<b>32,238</b>

The contribution of Dunkerque LNG to the net profit/loss in 2018 is €16.9 million. This amount includes the profit/loss from the company accounted for using the equity method from 01-01-2018 to 31-10-2018 (€13.3 million) and the profit/loss since the full consolidation of the company for the balance. The expected contribution from the company to the revenue in 2019 is estimated at €207.6 million, and to net profit in 2019 at €25.6 million.

Finally, in December 2018, FluxDune contributed the 60.76% of shares it held in Dunkerque LNG to Dunkerque LNG Holding, a company established in France. IPM Dune, which had acquired the balance of its shares in Dunkerque LNG in October 2018, also contributed the 39.24% of shares it held in Dunkerque LNG to Dunkerque LNG Holding. This transaction fits within the objective of organisation and management of the shares of Dunkerque LNG. It has no impact on the consolidated financial statements of the Fluxys group.

## **Rostock LNG**

In October 2018, Fluxys Germany Holding acquired a 51% stake in Rostock LNG. The capital injected at this stage comes to €14 thousand. The company's project is to build and operate a terminal in the German port of Rostock, which will receive and unload medium-sized LNG vessels, store LNG and offer LNG distribution services. Novatek is the second shareholder with a 49% stake. As the group has joint control of Rostock LNG, Fluxys Europe consolidates the latter using the equity method.

## **Fluxys SA**

In May 2018, Fluxys SA acquired 100% of Fluxys Bunkering. The latter, with a concession in the Belgian port of Antwerp, will sell LNG bunkering capacity in this port. This company is fully consolidated.

Subsequently, on 21 December 2018, Fluxys Bunkering created the company FlexFueller 002, which will be the owner and operator of an LNG bunkering vessel. Fluxys Bunkering is the sole shareholder thereof and the value of this stake comes to €1.8 million. This company is fully consolidated.

### **3.1.2 Disposals**

Following the stock swap with Snam in the month of April, Fluxys Europe transferred 50% of the shares held in Gasbridge 2. Consequently, Gasbridge 2 is no longer an entity accounted for using the equity method as of this date.

As at 21 November 2018, Fluxys Europe transferred the 50% stake held in Swedegas Holding AB for €100.2 million. A capital gain of €23.8 million was achieved (consolidated) following this sale (see Note 4.4.1).

### 3.2 Nature and extent of stakes held in joint arrangements

#### **Transitgas and TENP KG**

Transitgas is a joint arrangement in which FluxSwiss exercises a joint control with the other joint operators.

Transitgas is qualified as a joint operation for the following reasons:

The purpose of the activities of Transitgas is essentially to put the capacity of its installations at the disposal of the joint operators. This gives them the right to almost all of the economic benefits of the assets of the operation. They also incur obligations against liabilities related to the operation. Indeed, the liabilities incurred by Transitgas are paid through cash flows received from the joint operators through the considerations paid for the capacity made available.

FluxSwiss holds 90% of the capacity of the Transitgas installations. The latter are therefore integrated for 90% in the consolidated financial statements of the group. This integration percentage is not based on the investment held in this company but on the rights to the assets and liabilities incurred by the group for the liabilities.

This method better reflects the risks and benefits of the joint operators related to the capacity reserved in the installations.

TENP KG is a joint arrangement in which Fluxys TENP exercises a joint control with the other joint operators.

The approach in the framework of this joint arrangement is identical as the one used for Transitgas, except that this joint operation is integrated for 64.25% in the consolidated financial statements of the group in accordance with the capacity reserved in the installations.



### 3.3. Nature and scope of the restrictions related to the assets and liabilities of the group

Special rights are attached to the special share of the Belgian State in Fluxys Belgium, other than the normal rights attached to all other shares. These special rights are exercised by the Federal Minister in charge of Energy and can be summarised as follows:

- The right to oppose all transfers, any assignment as security or change of the destination of strategic assets of Fluxys Belgium of which the list is set out in an annex to the royal decree of 16 June 1994, if the Federal Minister in charge of Energy considers that this operation prejudices the national interests in the area of energy;
- The right to appoint two representatives of the federal government with a consultative vote in the Board of Directors and the Strategic Committee of Fluxys Belgium.
- The right of the representatives of the federal government, within four business days, to appeal to the Federal Minister in charge of Energy on the basis of objective, non-discriminatory and transparent criteria, as defined in the Royal Decree of 5 December 2000, against any decision of the Board of Directors or any advice of the strategic Committee of Fluxys Belgium (including the investment and business plan and related budget) which they regard as contrary to the guidelines of the country's energy policy, including the government's objectives concerning the country's energy supply. The appeal is suspensive. If the Federal Minister in charge of Energy has not cancelled the decision concerned within eight business days after this appeal, it becomes final.
- A special voting right in case of deadlock in the General meeting on a matter concerning the objectives of the federal energy policy.

Other shareholders' agreements have been entered into within Fluxys Group subsidiaries. These provide for pre-emptive rights at the time of transfer of securities by a shareholder, as well as certain special majorities needed for decision-making in specific matters. These do not affect the control exercised by the group over its subsidiaries or the joint control over its joint operations.

There are no other significant restrictions that could limit the ability of the group to access or use its assets and discharge its liabilities. However it must be noted that the assets of Flux Re are destined to cover the risk of the company in the scope of its reinsurance activities. The total assets in the balance sheet of Flux Re amount to €168.7 million as at 31-12-2018 compared with €171.3 million as at 31-12-2017.

### 3.4. Information on investments

Fully consolidated entities						
Name of the subsidiary	Registered office	Entity number	% ownership	Core business	Currency	Balance sheet date
FLUXYS BELGIUM NV/SA	Avenue des Arts 31 B - 1040 Brussels	0402 954 628	90.00 %	Gas transmission	EUR	31 December
FLUXYS LNG NV/SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	90.00 %	LNG terminalling	EUR	31 December
FLUX RE NV/SA	Rue de Merl 74 L - 2146 Luxembourg	-	90.00 %	Reinsurance entity	EUR	31 December
FLUXYS EUROPE SPRL	Rue Guimard 4 B - 1040 Brussels	0712 615 547	100.00%	International activity	EUR	31 December
FLUXYS BBL BV	Heerbaan 246 NL - 4817 Breda	-	100.00%	Gas transmission	EUR	31 December
FLUXYS GERMANY HOLDING GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00 %	Holding	EUR	31 December
FLUXYS DEUTSCHLAND GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00%	Gas transmission	EUR	31 December
FLUXYS TENP GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	100.00%	Gas transmission	EUR	31 December
FLUXSWISS SAGL	Via delle Scuole 8 CH - 6900 Paradiso	-	50.65 %	Gas transmission	CHF	31 December
FLUXYS UK Ltd <sup>2</sup>	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	International activity	GBP	31 December
GMSL Ltd	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	Services	GBP	31 December
FLUXYS INTERCONNECTOR Ltd <sup>3</sup>	Clarendon Road GB - Cambridge CB2 8FH	-	100.00%	International activity	GBP	31 December
GASBRIDGE 1 BV	Herikerbergweg 238 NL - 1101CM Amsterdam	-	100.00%	Holding	EUR	31 December

<sup>2</sup> Fluxys UK Ltd (company registration number 09829068) is exempt from the obligation of an external audit following the request for an exemption in accordance with section 479a of the 'Companies Act 2016' and for which Fluxys Europe is guarantor for the outstanding debts on the balance sheet date. Outstanding debts as at 31 December 2018 correspond exclusively to intragroup debts.

<sup>3</sup> Fluxys Interconnector Ltd (company registration number 09829086) is exempt from the obligation of an external audit following the request for an exemption in accordance with section 479a of the 'Companies Act 2016' and for which Fluxys Europe is guarantor for the outstanding debts on the balance sheet date. The financial outstanding debts as at 31 December 2018 correspond exclusively to intragroup debts.

### Fully consolidated entities

Name of the subsidiary	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
INTERCONNECTOR (UK) Ltd	Furnival Street 10 London EC4A 1AB	UK - -	76.32%	Gas transmission	GBP	31 December
INTERCONNECTOR ZEEBRUGGE TERMINAL SCRL	Rue Guimard 4 B - 1040 Brussels	0454 318 009	63.40%	Terminal	EUR	31 December
FLUXYS BUNKERING SPRL	Rue Guimard 4 B - 1040 Brussels	0645.978.824	100%	LNG services	EUR	31 December
FLEXFUELER 002 SPRL	Rue Guimard 4 B - 1040 Brussels	0716.865.434	100%	Bunkering services	EUR	31 December
DUNKERQUE LNG SAS	12, Place de la Défense 92974 Paris La Défense Cedex, France	-	30.39%	LNG terminalling	EUR	31 December
DUNKERQUE LNG HOLDING SAS	3 Bld de Sébastopol, 75001 Paris, France	-	30.39%	Holding	EUR	31 December
FLUXDUNE SA	Rue Guimard 4 B - 1040 Brussels	0697.786.623	50.01%	Holding	EUR	31 December
GAZ-OPALE SAS	Rue l'Hermitte 30 Immeuble Les 3 Ponts F - 59140 Dunkerque	-	64,5%	Services	EUR	31 December

### Joint operations integrated based on rights on assets and obligations on liabilities

Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
TENP KG	Gladbecker Strasse 425 D- 45138 Essen	-	64.25%	Leasing of facilities and services	EUR	31 December
TRANSITGAS AG	Baumackerstrasse 46 CH - 8050 Zurich	-	45.59 %	Leasing of facilities and services	CHF	31 December
BBL COMPANY VOF	Concourslaan 17 NL - 9700AE Groningen	-	20.00%	Gas transmission	EUR	31 December
NEL (Nordeuropäische Erdgasleitung)	Kölnische Straße 108-112 34119 Kassel	-	23.87%	Gas transmission	EUR	31 December
EUGAL (European Gas Pipeline Link)	Kölnische Straße 108-112 34119 Kassel	-	16.50 %	Gas transmission	EUR	31 December

**Subsidiaries with significant non-controlling interests**

In thousands of €

	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*
100%	Fluxys Belgium Group	Swiss Group	Interconnect or (UK)	Dunkerque LNG	Other subsidiaries (mainly Fluxdune & Dunkerque Holding)	TOTAL
Non-current assets	2,494,243	992,417	508,926	2,722,271	0	
Current assets	593,210	55,799	47,327	110,012	0	
Equity	816,168	497,941	355,035	1,540,527	0	
Non-current liabilities	2,020,645	474,345	159,655	1,238,974	0	
Current liabilities	250,640	75,930	41,563	52,782	0	
Operating revenue	623,547	176,967	168,904	31,807	0	
Operating expenses	-511,711	-84,326	-157,561	-23,360	0	
Net financial result	-40,868	-20,235	-120	-1,539	0	
Income tax expenses	-22,672	-14,374	-3,451	-3,338	0	
Net profit/loss for the period	48,296	58,032	7,772	3,570	0	
Balance sheet - Non-controlling interests	81,615	245,734	84,332	1,072,357	-481	<b>1,483,557</b>
Profit/loss - Non-controlling interests	4,830	28,639	1,824	2,485	-69	<b>37,709</b>

\* Figures on an annual basis are 100% subject to approval by the companies' management bodies and general meeting. Swiss Group corresponds to the consolidation of FluxSwiss integrating 90% of Transitgas. The income statement for Dunkerque LNG corresponds to 2 months, the company being fully consolidated as of November 2018.

**Subsidiaries with significant non-controlling interests**

In thousands of €

	31-12-2017	31-12-2017	31-12-2017	31-12-2017	31-12-2017
100 %	Fluxys Belgium Group	Swiss Group*	Interconnector (UK)	Other subsidiaries (GasBridge 1 & Huberator)	TOTAL
Non-current assets	2,574,112	1,006,449	635,988		
Current assets	898,075	71,283	72,007		
Equity	848,978	470,793	407,973		
Non-current liabilities	2,065,910	521,185	199,286		
Current liabilities	557,299	85,754	100,736		
Operating revenue	588,873	176,980	212,480		
Operating expenses	-468,325	-84,876	-191,206		
Net financial result	-46,834	-20,363	-1,593		
Income tax expenses	6,320	-12,728	-4,041		
Net profit/loss for the period	80,034	59,013	15,640		
Balance sheet - Non-controlling interests	84,896	232,336	200,925	7,651	<b>525,808</b>
Profit/loss - Non-controlling interests	8,003	29,123	7,703	-196	<b>44,633</b>

\* Swiss Group corresponds to the consolidation of FluxSwiss integrating 90% of Transitgas

### Equity accounted investees – Joint ventures

Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
TENP GmbH	Gladbecker Straße 425 D – 45329 Essen	-	50.00%	Services	EUR	31 December
BALANSYS NV/SA	rue de Bouillon 59-61 L-1248 Luxembourg	-	50.00%	Balancing operator	EUR	31 December
E-LOOPS GmbH	Karolingerstraße 96 D - 45141 Essen	-	51.00 %	Services	EUR	31 December
ROSTOCK LNG GmbH	Elisabethstr. 11 D - 40217 Düsseldorf	-	51.00 %	LNG terminalling	EUR	31 December

### Equity accounted investees - Associates

Name of the company	Registered office	Entity number	% owner-ship	Core business	Currency	Balance sheet date
LNG LINK INVESTMENT AS	Luramyveien 40 NO - 4391 Sandnes	-	25.00%	Shipping	NOK	31 December
MAHON SHIPPING NV/SA	Kiwiweg 80, B - 8380 Zeebrugge	0633 885 793	25.00%	Shipping	EUR	31 December
TRANS ADRIATIC PIPELINE AG	Lindenstrasse 2 CH – 6340 Baar	-	19.00 %	Gas transmission	EUR	31 December
SENFLUGA ENERGY INFRASTRUCTURE HOLDINGS SA	28 D. Soutsou street P.S. 115 21 Athens, Greece	-	20.00%	Holding	EUR	31 December
DESFA	Municipality of Halandri, 357 – 359 Messogion Avenue, 7th floor, Greece	-	13.20%	Gas transmission	EUR	31 December

## Financial statements of equity accounted investees

	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*	31-12-2018*
100 %	Dunkerque LNG	Senfluga Energy Infrastructure Holdings SA	Trans Adriatic Pipeline AG	Swedegas Holding AB	Gaz Opale	Other companies	TOTAL
Non-current assets	0	786,137	3,697,436	0	0		
Current assets	0	21,808	205,344	0	0		
Equity	0	202,424	1,032,502	0	0		
Non-current liabilities	0	567,824	2,612,932	0	0		
Current liabilities	0	37,697	257,346	0	0		
Operating revenue	174,999	0	0	32,650	14,263		
Operating expenses	-106,042	0	-28,566	-21,062	-10,819		
Net financial result	-2,625	0	9,751	-8,288	-68		
Investments in associates	0	0	0	0	0		
Income tax expenses	-13,085	0	890	5,527	-987		
Net profit/loss for the period	53,247	0	-17,925	8,827	2,389		
Investments in associates	0	40,485	196,175	0	0	3,796	<b>240,456</b>
Profit/loss from investments in associates	13,312	0	-3,406	4,414	1,475	792	<b>16,587</b>

\* Figures before eliminations of intra-group operations on an annual basis at 100% and subject to the approval of the management bodies and the general meeting of the companies. Dunkerque LNG and Gaz-Opale are fully consolidated since November 2018, whilst Swedegas Holding was sold in November 2018.



Financial statements of equity accounted investees							In thousands of €
	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*	31-12-2017*
100 %	Dunkerque LNG	Trans Adriatic Pipeline AG	Swedegas Holding AB	GasBridge 2	Gaz Opale	Other companies	TOTAL
Non-current assets	1,234,352	2,894,730	629,142	65,048	148		
Current assets	103,485	161,659	25,604	15,345	21,362		
Equity	1,230,770	856,424	141,372	80,355	-493		
Non-current liabilities	28,829	1,919,309	506,612	0	2,374		
Current liabilities	78,238	280,656	6,761	38	19,629		
Operating revenue	191,371	6	42,649	0	13,785		
Operating expenses	-100,254	-27,458	-32,264	-151	-10,591		
Net financial result	-320	2,172	-9,891	-4	-90		
Investments in associates	0	0	0	1,952	0		
Income tax expenses	-17,922	3,616	-179	0	-1,158		
Net profit/loss for the period	72,875	-21,664	315	1,797	1,946		
Investments in associates	307,693	162,721	70,686	7,653	-304	2,902	<b>551,351</b>
Profit/loss from investments in associates	18,219	-4,116	158	-197	1,202	28	<b>15,294</b>

\* Figures before eliminations of intra-group operations on an annual basis at 100%

## Main unconsolidated entities

Name of the company	Registered office	% ownership	Core business
BOOSTHEAT	Bld Marcel Sembat 41-47 F-69200 Venissieux	6.18%	Innovation in natural gas usage
NETCONNECT GERMANY GmbH & Co. KG	Kaiserswerther Str. 115 D-40880 Ratingen	10.00%	Conduct market area corporation
NETCONNECT GERMANY MANAGEMENT GmbH	Kaiserswerther Str. 115 D-40880 Ratingen	10.00%	Conduct market area corporation
PRISMA EUROPEAN CAPACITY PLATFORM GmbH	Schillerstraße 4 D-04109 Leipzig	11.96%	Transmission capacity reservation platform
FL ZEEBRUGGE NV	Chaussée de Gand 1440 B-1082 Brussels	19.08 %	Finance lease company
C4GAS SAS	Rue de La Pépinière 24 F-75008 Paris	10.00%	Purchasing portal

The Fluxys Group holds, through the Interconnector (UK) group, 19.08% of the company FL Zeebrugge NV, a company which provides tangible assets under finance lease to the company Interconnector Zeebrugge Terminal SCRL. The Interconnector (UK) group has subscribed to the bonds issued by FL Zeebrugge NV with a view to partially financing the assets provided under finance lease. The Interconnector (UK) group has a purchase option on these assets provided under finance lease which can be exercised until 2025. Although this entity is not consolidated, the assets held under finance lease are recognised under property, plant and equipment, with a corresponding finance lease debt.

## Note 4. Income statement and operating segments

### Operating segments

The Fluxys Group carries out activities in the following operating segments:

The Belgium segment comprises all services subject to the Belgian Gas Act, i.e. transmission, storage in Loenhout and LNG terminalling services in Zeebrugge. Other activities with a link to these services are included in this segment, whether or not subject to the Gas Act. They mainly comprise the stake in the IZT and ZPT terminals<sup>4</sup>, making facilities or persons available as well as work for third parties.

The Europe segment comprises the revenue generated by the transmission facilities in Germany, Switzerland, between Zeebrugge in Belgium and Bacton in the UK (IUK) and between Balgzand in the Netherlands and Bacton in the UK (BBL). It includes the LNG terminalling activities in Dunkirk, fully integrated since November 2018, as well as the profit/loss from the stakes in TAP and Swedegas Holding, the latter until October 2018.

The 'Unallocated' column comprises the governance and financial management activities of the Fluxys Group.

The segment information is based on classification into these operating segments.

### Basis of accounting relating to transactions between operating segments

Transactions between operating segments are valued either at the current regulated tariff or on the basis of the contractual prices in accordance with market conditions.

### Information relating to the main customers

The group's main customers are users of transmission, storage and LNG terminalling services.

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<sup>4</sup> Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

**Segment income statement at 31-12-2018**

In thousands of €

	Fluxys Belgium	Fluxys Europe	Unallocated	Elimination between segments	Total
Operating revenue	<b>503,246</b>	<b>478,930</b>	<b>17,594</b>	<b>-18,720</b>	<b>981,050</b>
<i>Sales and services to external customers</i>	522,256	476,101	2,940	0	1,001,297
<i>Transactions with other sectors</i>	3,560	506	14,654	-18,720	0
<i>Changes in regulatory assets and liabilities</i>	-22,570	2,323	0	0	-20,247
Sales of gas related to balancing operations and operational needs	<b>106,233</b>	<b>11,155</b>	<b>0</b>	<b>0</b>	<b>117,388</b>
<i>Sales of gas related to balancing of operations and operational needs</i>	135,914	11,155	0	0	147,069
<i>Sales of gas related to balancing of operations and operational needs – Regulatory changes</i>	-29,681	0	0	0	-29,681
Other operating income	14,068	3,065	664	-5,186	12,611
Consumables, merchandise and supplies used	-4,142	-138	-274	274	-4,280
Purchase of gas related to balancing of operations and operational needs	-106,240	-24,003	0	0	-130,243
Miscellaneous goods and services	-120,729	-103,423	-22,662	23,632	-223,182
Employee expenses	-107,852	-14,918	-7,915	0	-130,685
Other operating expenses	-6,202	-4,837	-1	0	-11,040
Depreciation and amortisation	-164,331	-217,164	-72	0	-381,567
Provisions for risks and charges	-1,816	9,799	-23	0	7,960
Impairment losses	-400	-48	0	0	-448
<b>Profit/loss from continuing operations</b>	<b>111,835</b>	<b>138,418</b>	<b>-12,689</b>	<b>0</b>	<b>237,564</b>
Earnings from associates and joint ventures	0	16,587	0	0	16,587
<b>Profit/loss before financial result and tax</b>	<b>111,835</b>	<b>155,005</b>	<b>-12,689</b>	<b>0</b>	<b>254,151</b>
Change in the fair value of financial instruments					-5,544
Net profit on changes in the consolidation scope					303,907
Financial income					22,835
Finance costs					-74,729
<b>Profit/loss from continuing operations after net financial result</b>					<b>500,620</b>
Income tax expenses					-53,403
<b>Net profit/loss for the period</b>					<b>447,217</b>

**Segment income statement at 31-12-2017**

In thousands of €

	Fluxys Belgium	Fluxys Europe	Unallocated	Elimination between segments	Total
Operating revenue	<b>510,528</b>	<b>503,204</b>	<b>7,348</b>	<b>-8,094</b>	<b>1,012,986</b>
<i>Sales and services to external customers</i>	553,528	495,496	831	0	1,049,855
<i>Transactions with other sectors</i>	1,577	0	6,517	-8,094	0
<i>Changes in regulatory assets and liabilities</i>	-44,577	7,708	0	0	-36,869
Sales of gas related to balancing operations and operational needs	<b>66,096</b>	<b>6,987</b>	<b>0</b>	<b>0</b>	<b>73,083</b>
<i>Sales of gas related to balancing of operations and operational needs</i>	87,529	6,987	0	0	94,516
<i>Sales of gas related to balancing of operations and operational needs – Regulatory changes</i>	21,433	0	0	0	-21,433
Other operating income	12,248	1,464	586	-4,025	10,273
Consumables, merchandise and supplies used	-2,680	-1,208	0	0	-3,888
Purchase of gas related to balancing of operations and operational needs	-66,014	-15,635	0	0	-81,649
Miscellaneous goods and services	-122,996	-98,640	-10,666	12,119	-220,183
Employee expenses	-107,077	-14,165	-6,833	0	-128,075
Other operating expenses	-6,944	-3,167	-5	0	-10,116
Net depreciation	-168,846	-250,433	-88	0	-419,367
Provisions for risks and charges	5,399	996	5	0	6,400
Net impairment losses	831	0	0	0	831
<b>Profit/loss from continuing operations</b>	<b>120,545</b>	<b>129,403</b>	<b>-9,653</b>	<b>0</b>	<b>240,295</b>
Earnings from associates and joint ventures	0	15,294	0	0	15,294
<b>Profit/loss before financial result and tax</b>	<b>120,545</b>	<b>144,697</b>	<b>-9,653</b>	<b>0</b>	<b>255,589</b>
Change in the fair value of financial instruments					-2,924
Net profit on changes in the consolidation scope					
Financial income					21,270
Finance costs					-95,832
<b>Profit/loss from continuing operations after net financial result</b>					<b>178,103</b>
Income tax expenses					-12,994
<b>Net profit/loss for the period</b>					<b>165,109</b>

## Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue		In thousands of €		
	Notes	31-12-2018	31-12-2017	Change
Fluxys Belgium	4.1.1	499,686	508,951	-9,265
Fluxys Europe and corporate	4.1.2	481,364	504,035	-22,671
<b>Total</b>		<b>981,050</b>	<b>1,012,986</b>	<b>-31,936</b>

Operating revenue for 2018 was €981,050 thousand compared with €1,012,986 thousand in 2017. Their breakdown per country is the following:

Operating revenue by country under IFRS as at 31-12-2018								In thousands of €
	Notes	Belgium	Germany	England	Netherlands	Switzerland	France	TOTAL
Regulated		499,686	86,097	0	0	0	0	585,783
Non-regulated		0	0	13,195	0	165,818	0	179,013
Exempted & interconnections		0	0	168,345	14,773	0	30,112	213,230
Others		2,940	0	0	84	0	0	3,024
<b>Total</b>		<b>502,626</b>	<b>86,097</b>	<b>181,540</b>	<b>14,857</b>	<b>165,818</b>	<b>30,112</b>	<b>981,050</b>

Operating revenue by country under IFRS as at 31-12-2017								In thousand of €
	Notes	Belgium	Germany	England	Netherlands	Switzerland	TOTAL	
Regulated		508,951	96,447	0	0	0	605,398	
Non-regulated		0	0	13,084	0	169,685	182,769	
Exempted & interconnections		0	0	211,665	12,323	0	223,988	
Others		831	0	0	0	0	831	
<b>Total</b>		<b>509,782</b>	<b>96,447</b>	<b>224,749</b>	<b>12,323</b>	<b>169,685</b>	<b>1,012,986</b>	

**4.1.1.** The 'Fluxys Belgium' segment comprises transmission, storage and terminalling services in Belgium which are subject to the Gas Act.

Revenue from these services aims to ensure an authorised return on capital invested and to cover the operating expenses related to these services, while integrating the productivity efforts to be accomplished by the network operator, as well as permitted depreciation.

Revenue from this segment also includes work and services rendered for third parties as well as the provision of facilities.

In accordance with the regulatory framework, the fall in regulated revenue is mainly the result of a reduction in operating expenses, interest and taxes to be covered by tariffs, partially compensated by the increase in the level of authorised return.

**4.1.2.** The 'Fluxys Europe' segment comprises mainly revenues generated by transmission facilities in Switzerland, Germany, between Bacton in the United Kingdom and Zeebrugge in Belgium (Interconnector UK) and between Balgzand in the Netherlands and Bacton in the United Kingdom (BBL), by terminalling facilities in Dunkirk and France, since November 2018, and gas flow monitoring services on behalf of third parties.

This decrease in revenues can primarily be explained by the anticipated end of the main Interconnector (UK) long-term transmission contracts in September 2018. In Germany, the evolution of the regulated revenue reflects the reduction of the costs to be covered by the tariffs. These effects are attenuated by the first full consolidation of Dunkerque LNG which has a favourable impact on the group's revenue since November 2018.

## Note 4.2. Other operating income

Other operating income	In thousands of €		
	31-12-2018	31-12-2017	Change
Other operating income	12,611	10,273	2,338

Other operating income mainly comprises various recoveries from insurance companies and other debtors and income earned from supplying property or people.

## Note 4.3. Operating expenses

Operating expenses excluding net depreciation impairment losses and provisions	In thousands of €		
	Notes	31-12-2018	31-12-2017
Consumables, merchandise and supplies used	4.3.1	-4,280	-3,888
Miscellaneous goods and services	4.3.2	-223,182	-220,183
Employee expenses	4.3.3	-130,685	-128,075
Other operating expenses	4.3.4	-11,040	-10,116
<b>Total operating expenses</b>		<b>-369,187</b>	<b>-362,262</b>
Of which costs related to lease agreements	4.3.2	-22,112	-23,461

### 4.3.1. Consumables, merchandise and supplies used

Consumables, merchandise and supplies used mainly include costs for transport material taken out of inventory for maintenance and repair projects and costs for work carried out on behalf of third parties.



### 4.3.2. Miscellaneous goods and services

Miscellaneous goods and services are mainly composed of:

	31-12-2018	31-12-2017
Purchase of equipment	-10,273	-11,313
Rent and rental charges (see Note 7.5)	-15,131	-16,323
Maintenance and repair expenses	-51,480	-63,133
Goods and services supplied to the group	-7,534	-7,676
Third-party remuneration (see Note 7.5)	-68,161	-63,831
Royalties and contributions	-45,144	-34,163
Non-personnel related insurance costs	-13,616	-13,779
Other miscellaneous goods and services	-11,843	-9,965
	<b>-223,182</b>	<b>-220,183</b>

In 2018, the miscellaneous goods and services showed an increase, mainly due to the full integration of Dunkerque LNG in the consolidation since November 2018 and the costs associated with the acquisition projects (€ 8.5 million). The efficiency efforts realised by the group and the reduction in inspection costs for facilities, largely for the TENP pipeline, allowed the aforementioned increase in costs to be partially compensated.

The costs linked to lease agreements relating to buildings, facilities and vehicles are recognised under the item 'Rent and rental charges', whilst those relating to sites for which the group has concessions are recognised under the item 'Royalties and contributions'.

### 4.3.3. Employee expenses

Employee expenses are up €2,610 thousand. This can be explained by the integration of Dunkerque LNG since November 2018 and by inflation and the cost of social programming.

The group's average headcount was 1,252 in 2018 compared with 1,202 in 2017. Expressed in FTE (full-time equivalents), these figures convert to 1,210.7 in 2018 compared to 1,162.0 in 2017.

	Financial year		Preceding financial year	
	Total number of staff	Total In FTE	Total number of staff	Total In FTE
<b>Average number of employees</b>	<b>1,252</b>	<b>1,210.7</b>	<b>1,202</b>	<b>1,162.0</b>
<b>Fluxys</b>	<b>54</b>	<b>47.4</b>	<b>46</b>	<b>41.6</b>
Executives	42	36.6	35	31.3
Employees	12	10.8	11	10.3
<b>Fluxys Belgium</b>	<b>861</b>	<b>831.2</b>	<b>878</b>	<b>847.3</b>
Executives	267	260.5	272	265.4
Employees	594	570.7	606	581.9
<b>Fluxys LNG</b>	<b>38</b>	<b>37.1</b>	<b>39</b>	<b>38.8</b>
Executives	4	3.9	4	4.2
Employees	34	33.1	35	34.6
<b>Flux Re</b>	<b>1</b>	<b>0.5</b>	<b>1</b>	<b>0.5</b>
<b>Fluxys Europe</b>	<b>1</b>	<b>0.1</b>	<b>1</b>	<b>0.1</b>
<b>FluxSwiss</b>	<b>6</b>	<b>6.0</b>	<b>6</b>	<b>6.0</b>
<b>Fluxys TENP</b>	<b>12</b>	<b>11.5</b>	<b>11</b>	<b>11.0</b>
<b>Fluxys Deutschland</b>	<b>5</b>	<b>4.6</b>	<b>5</b>	<b>5.0</b>
<b>GMSL</b>	<b>96</b>	<b>95.1</b>	<b>96</b>	<b>95.0</b>
<b>Fluxys BBL</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Transitgas</b>	<b>51</b>	<b>49.1</b>	<b>51</b>	<b>49.6</b>
<b>Tenp KG</b>	<b>2</b>	<b>1.6</b>	<b>2</b>	<b>1.6</b>
<b>Interconnector (UK)</b>	<b>55</b>	<b>54.5</b>	<b>66</b>	<b>65.5</b>
<b>Gaz-Opale</b>	<b>55</b>	<b>55.0</b>	-	-
<b>Dunkerque LNG</b>	<b>17</b>	<b>17,0</b>	-	-

## Workforce

	Financial year		Preceding financial year	
	Total number of staff	Total In FTE	Total number of staff	Total In FTE
<b>Headcount at balance sheet date</b>	<b>1,237</b>	<b>1,197.0</b>	<b>1,194</b>	<b>1,152.6</b>
<b>Fluxys</b>	<b>58</b>	<b>51.1</b>	<b>51</b>	<b>44.0</b>
Executives	48	41.8	39	32.7
Employees	10	9.3	12	11.3
<b>Fluxys Belgium</b>	<b>854</b>	<b>826.1</b>	<b>868</b>	<b>838.5</b>
Executives	265	259.2	270	263.5
Employees	589	566.9	598	575.0
<b>Fluxys LNG</b>	<b>39</b>	<b>37.8</b>	<b>39</b>	<b>38.6</b>
Executives	4	3.8	4	4.0
Employees	35	34.0	35	34.6
<b>Flux Re</b>	<b>1</b>	<b>0.5</b>	<b>1</b>	<b>0.5</b>
<b>Fluxys Europe</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>0.1</b>
<b>FluxSwiss</b>	<b>6</b>	<b>6.0</b>	<b>7</b>	<b>6.8</b>
<b>Fluxys TENP</b>	<b>12</b>	<b>12.0</b>	<b>11</b>	<b>11.0</b>
<b>Fluxys Deutschland</b>	<b>4</b>	<b>4.0</b>	<b>5</b>	<b>5.0</b>
<b>GMSL</b>	<b>94</b>	<b>93.6</b>	<b>97</b>	<b>96.5</b>
<b>Fluxys BBL</b>	<b>1</b>	<b>0.1</b>	<b>0</b>	<b>0.0</b>
<b>Transitgas</b>	<b>51</b>	<b>49.3</b>	<b>50</b>	<b>48.4</b>
<b>Tenp KG</b>	<b>2</b>	<b>1.6</b>	<b>2</b>	<b>1.6</b>
<b>Interconnector (UK)</b>	<b>43</b>	<b>42.9</b>	<b>62</b>	<b>61.6</b>
<b>Gaz-Opale</b>	<b>55</b>	<b>55.0</b>	<b>-</b>	<b>-</b>
<b>Dunkerque LNG</b>	<b>17</b>	<b>17.0</b>	<b>-</b>	<b>-</b>

#### 4.3.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposals or retirements of property, plant and equipment.

The latter represented an expense of €154 thousand in 2018, compared with €447 thousand in 2017.

#### 4.3.5. Net depreciation, impairment losses and provisions

Net depreciation, impairment losses and provisions		In thousands of €	
	Notes	31-12-2018	31-12-2017
<b>Depreciation</b>	<b>4.3.5.1</b>	<b>-381,567</b>	<b>-419,367</b>
Intangible assets		-109,989	-119,592
Property, plant and equipment		-271,578	-299,775
<b>Impairment losses</b>		<b>-448</b>	<b>831</b>
Intangible assets		0	0
Inventories		-400	831
Trade receivables		-48	0
<b>Provisions for risks and charges</b>		<b>7,960</b>	<b>6,400</b>
<b>Total net depreciation, impairment losses and provisions</b>		<b>-374,055</b>	<b>-412,136</b>

##### 4.3.5.1. Depreciation

The intangible assets resulting from business combinations have been depreciated in accordance with the accounting methods, namely predominantly over 40 years for the fixed asset 'sole operator of the natural gas transmission network and storage facilities' in

Belgium, over 20 years for the fixed asset 'sole operator of the LNG facilities' and between 20 to 45 years for acquired customer portfolios.

The reduction in the amortisation accounted for during the period is explained by the fact that the intangible assets of Interconnector (UK) are fully amortised since September 2018, the date of the end of the main long-term contracts. This reduction is attenuated by the start of the amortisation of the intangible asset from the business combination with Dunkerque LNG in October 2018. This latter is mainly amortised over a period of a little over 18 years, whilst the balance is amortised over a period of a little over 40 years.

The depreciation plan for the 'Interconnector (UK)' facilities was revised in 2016. This prospective correction could primarily be explained by the fact that the long-term capacity subscription contracts ended in September 2018. The depreciation accounted for in 2018, in accordance with the revised depreciation plan is now decreasing since September 2018.

Discounts on the estimated future dividends, based on the 'Dividend Discount Model', supports the book value of the property, plant and equipment 'Interconnector (UK)' which comes to €407.0 million as at 31 December 2018.

The value in use of these facilities is highly sensitive to the assumptions made, the large majority of capacity sales being based on short-term contracts. The assumptions have been established by the group based on best estimates of future market demand, necessary maintenance investments and the estimated change in operating expenses. The assumptions made by the group are revised every year.

Furthermore, depreciation of property, plant and equipment included, in 2017, additional depreciation recognised, for an amount of €14.8 million on certain components of the TENP facilities in Germany, the book value of these latter having been brought down to zero.

Finally, the group fully integrated the Dunkerque LNG subsidiary since November 2018. The depreciation recognised on the property, plant and equipment of the LNG terminal at Dunkirk is spread over a period of slightly over 40 years and is included in the group's

income statement since the date of the acquisition of a controlling interest in the company, i.e. since the beginning of November 2018.

### Note 4.4.1. Net profit on changes in the consolidation scope

In 2018, this item includes the favourable effects of the fair value accounting of the 25% stake initially held in Dunkerque LNG (€280.1 million) linked to the business combination transaction. It also includes the consolidated gain realised on the sale of Swedegas Holding (€23.8 million) in November 2018 (see Note 3).

### Note 4.4.2. Financial income

Financial income		In thousands of €	
	Notes	31-12-2018	31-12-2017
Dividends from unconsolidated entities		0	9
Interest income on investments and cash equivalents	4.4.2.1	6,973	7,801
Other interest income	4.4.2.2	8,190	6,652
Unwinding of discounts	4.4.2.3	0	764
Other financial income	4.4.2.4	7,672	6,044
<b>Total</b>		<b>22,835</b>	<b>21,270</b>

**4.4.2.1.** Interest on investments and cash equivalents mainly come, in 2018, from investments recognised at amortised cost in accordance with IFRS 9.

**4.4.2.2.** The increase over the year in the amounts of the loans granted to TAP explains the increase in interest received by the group. It should be noted that these loans granted were reimbursed at the end of December 2018, the date on which TAP finalised its external financing.

**4.4.2.3.** In 2017, the effects of discounting provisions were recognised in revenue, while in 2018, they represented a financial cost. The rates used to discount these liabilities explain this change (see Note 5.13).

**4.4.2.4.** Other financial income mainly reflects the exchange rate differences realised as part of our GBP and CHF transactions, an amount partly compensated by the fluctuation in the value of financial instruments (see Note 4.5.3).

## Note 4.5. Finance costs and change in the fair value of financial instruments

Finance costs		In thousands of €	
	Notes	31-12-2018	31-12-2017
Borrowing interest costs	4.5.1	-67,246	-81,069
Unwinding of discounts on provisions	4.4.2.3	-1,503	-678
Other finance costs	4.5.2	-5,980	-14,085
<b>Total</b>		<b>-74,729</b>	<b>-95,832</b>

**4.5.1.** Borrowing interest costs mainly include interest on loans from the EIB (European Investment Bank), on bonds, on finance lease debts, on bank loans, on subsidiary loans in foreign currencies, on regulatory liabilities, and short- and medium-term financing in place to cover the group's financial needs.

In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans and at the same time to unwind cash-flow hedge instruments, these interest-rate swaps no longer being entirely effective in a negative interest rate environment. The cost of unwinding the interest-rate swaps is progressively transferred into the results (€4,112 thousand amortised in 2018 via this item and €4,112 thousand in 2017).

In 2018, interest costs are down mainly thanks to the favourable terms of new loans. This reduction is however attenuated by the integration into the consolidation of the interest costs of Dunkerque LNG.

**4.5.2.** Other finance costs were negatively affected in 2017 by the effect of fluctuations in CHF rates.

#### **4.5.3. Change in the fair value of financial instruments**

Change in the fair value of financial instruments	Note	In thousands of €	
		31-12-2018	31-12-2017
Use and change in the fair value of financial instruments	4.5.3	-5,544	-2,924
<b>Total</b>		<b>-5,544</b>	<b>-2,924</b>

**4.5.3.** This item shows the result related to the use of financial instruments. The change in these items are primarily explained by the 'cross currency interest rates swaps' instruments linked to CHF. The evolution of these financial instruments is detailed in Note 6.

### **Note 4.6. Earnings from associates and joint ventures**

The result from investments accounted for using the equity method is €16,587 thousand in 2018 compared to €15,294 thousand in 2017.

In 2018, Dunkerque LNG makes a positive contribution to the profit/loss from investments in associates of €13,312 thousand for 10 months, the company being fully consolidated since November 2018, whilst Swedegas Holding contributes €4,414 thousand. This company was sold in November 2018.

Part of the costs related to the TAP project underway is unable to be activated, which affects the result of this item in 2018, just as in 2017.



## Note 4.7. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses	In thousands of €			
	Note	31-12-2018	31-12-2017	Change
Current tax	4.7.1	-94,388	-113,262	18,874
Deferred tax	4.7.2	40,985	100,268	-59,283
<b>Total</b>	<b>4.7.3</b>	<b>-53,403</b>	<b>-12,994</b>	<b>-40,409</b>

The income tax expense came to €53,403 thousand in 2018 compared with €12,994 thousand in 2017.

It is broken down as follows:

4.7.1. Current tax	In thousands of €		
	31-12-2018	31-12-2017	Change
<b>Income taxes on the result of the current period</b>	<b>-95,471</b>	<b>-114,131</b>	<b>18,660</b>
Taxes and withholding taxes due or paid	-100,400	-113,296	12,896
Excess of payment of taxes and withholding taxes included in assets	5,614	2,435	3,179
Additional taxes	-685	-3,270	2,585
<b>Adjustments to previous years' current taxes</b>	<b>1,083</b>	<b>869</b>	<b>214</b>
<b>Total</b>	<b>-94,388</b>	<b>-113,262</b>	<b>18,874</b>

Current tax decreased by €18,874 thousand compared with the previous financial year.

This variation can primarily be explained, on the one hand by the fiscal reform in Belgium which reduced the nominal tax rate from 33.99% in 2017 to 29.58% in 2018 and on the other hand by the reduction in the tax base, in particular in Interconnector (UK).

4.7.2. Deferred tax	In thousands of €		
	31-12-2018	31-12-2017	Change
<b>Relating to origination or reversal of temporary differences</b>	<b>40,985</b>	<b>66,751</b>	<b>-25,766</b>
Differences arising from the valuation of property, plant and equipment	42,109	62,387	-20,278
Changes in provisions	-2,984	779	-3,763
Other changes	1,860	3,585	-1,725
<b>Relating to tax rate changes or to new taxes</b>	<b>0</b>	<b>33,517</b>	<b>-33,517</b>
<b>Relating to changes in accounting policies and errors</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Relating to changes in fiscal status of entity or shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>40,985</b>	<b>100,268</b>	<b>-59,283</b>

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets. The reduction in depreciation on the assets of Interconnector (UK) in 2018 and the additional depreciation on the TENP facilities in 2017 (see Note 4.3.5.1) explain the change in the use of deferred taxes arising from the valuation of assets.

The other differences were affected in 2017 by the unrealised exchange rate differences recognised in profit/loss in the IFRS consolidated financial statements as well as by the taxable share of the dividends.

Thanks to the reform of corporate tax in Belgium, the nominal tax rate went from 33.99% in 2017 to 29.58% in 2018 and will go to 25% from 2020. This progressive rate decrease has generated, in 2017, a non-recurring revision of deferred taxes accounted for an amount of €31,831 thousand in the past. This revision essentially concerned the deferred taxes accounted for during the price allocation exercises from business combination operations.

These non-recurring items justify to a great extent the decrease in the favourable impact of deferred taxes in 2018.

4.7.3. Reconciliation of expected income tax rate and effective average income tax rate	In thousands of €		
	31-12-2018	31-12-2017	Change
<b>Income tax as per effective average tax rate – Financial year</b>	<b>-143,177</b>	<b>-55,339</b>	<b>-87,838</b>
<i>Profit/loss from continuing operations after net financial result</i>	500,620	178,103	322,517
<i>Earnings from associates and joint ventures (-)</i>	-16,587	-15,294	-1,293
<b>Earnings before tax</b>	<b>484,033</b>	<b>162,809</b>	<b>321,224</b>
Applicable tax rate	29.58%	33.99%	
<b>Impacts to justify transition to the effective average tax rate</b>	<b>88,691</b>	<b>41,476</b>	<b>47,215</b>
Income tax rate differences between jurisdictions	8,974	14,363	-5,389
Changes in tax rates	0	33,517	-33,517
Tax-exempt income	90,201	0	90,201
Non-deductible expenses	-10,484	-7,617	-2,867
Taxable dividend income	0	955	-955
Deductible notional interest cost	0	247	-247
Other	0	11	-11
<b>Income tax as per effective average tax rate – Financial year</b>	<b>-54,486</b>	<b>-13,863</b>	<b>-40,623</b>
Earnings before tax	484,033	162,809	321,224
Average effective tax rate	11.26 %	8.51 %	2.75 %
<b>Adjustments to previous years' current taxes</b>	<b>1,083</b>	<b>869</b>	<b>214</b>
<b>Total income tax expense</b>	<b>-53,403</b>	<b>-12,994</b>	<b>-40,409</b>

The impact of the exchange rate differences was affected in 2017 by the fiscal reform in Belgium (see Note 4.7.2). Non-taxable income corresponds with the net profit following changes in the consolidation scope (see Note 4.4.1). The increase in 2018 of non-deductible expenses is primarily justified by the costs associated with acquisition projects.

## Note 4.8. Net profit/loss for the period

Net profit/loss for the period	In thousands of €		
	31-12-2018	31-12-2017	Change
Non-controlling interests	37,709	44,633	-6,924
Group share	409,508	120,476	289,032
<b>Total profit/loss for the period</b>	<b>447,217</b>	<b>165,109</b>	<b>282,108</b>

Fluxys group's net profit/loss in 2018 comes to €447,217 thousand compared to €165,109 thousand in 2017, an increase of €282,108 thousand.

In 2018, the profit/loss includes the favourable effects of the fair value accounting of the 25% stake initially held in Dunkerque LNG (€280.1 million) linked to the business combination transaction. It also includes the consolidated gain realised on the sale of Swedegas Holding (€23.8 million) in November 2018.

In 2017 it was favourably affected by the revised deferred taxes (€33.5 million) linked to the fiscal reform.

Outside the aforementioned non-recurring items, the profit/loss from the 'Fluxys Belgium' segment progressed €3.1 million, largely thanks to the evolution of OLO interest rates (from 0.74% in 2017 to 0.81% on average in 2018), to efficiency gains realised and to the reduction in the tax rates for these latter.

The net profit/loss from the activities in the 'Fluxys Europe' segment was affected in 2017 by the additional depreciation on the TENP facilities (€10.2 million). In 2018, the net profit/loss benefits from interruptible capacity and reverse flow sales in FluxSwiss and additional revenues from BBL. This effect is attenuated by the decrease in CHF exchange rates, by the decrease in regulated returns during the new regulatory period in Germany, as well as by the negative contribution of Interconnector (UK), this latter being affected by the end of the main long-term contracts in September 2018.

## Note 5. Segment balance sheet

Segment balance sheet at 31-12-2018				In thousands of €
	Fluxys Belgium	Fluxys Europe	Unallocated	Total
Property, plant and equipment	2,181,771	3,372,854	0	5,554,625
Intangible assets	212,413	1,525,052	0	1,737,465
Goodwill	1,924	0	0	1,924
Investments in associates and joint ventures	16	240,440	0	240,456
Other financial assets	77,525	12,810	0	90,335
Inventories	29,103	10,966	0	40,069
Net trade receivables	94,051	57,433	0	151,484
Other assets			775,374	775,374
				<b>8,591,732</b>
Interest-bearing liabilities	1,881,835	1,819,185		3,701,020
Other financial liabilities	1,794	4,934		6,728
Other liabilities			1,261,465	1,261,465
				<b>4,969,213</b>
Equity			3,622,519	3,622,519
				<b>8,591,732</b>

**Segment balance sheet at 31-12-2017**

In thousands of €

	<b>Fluxys Belgium</b>	<b>Fluxys Europe</b>	<b>Unallocated</b>	<b>Total</b>
Property, plant and equipment	2,250,659	1,820,481	0	4,071,140
Intangible assets	226,563	367,313	0	593,876
Goodwill	1,924	0	0	1,924
Investments in associates and joint ventures	16	551,335	0	551,351
Other financial assets	81,179	16,832	0	98,011
Inventories	27,856	2,035	0	29,891
Net trade receivables	106,030	45,177	0	151,207
Other assets			997,206	997,206
				<b>6,494,606</b>
Interest-bearing liabilities	2,219,830	1,141,309		3,361,139
Other financial liabilities	0	2,006		2,006
Other liabilities			800,417	800,417
				<b>4,163,562</b>
Equity			2,331,044	2,331,044
				<b>6,494,606</b>

## Note 5.1. Property, plant and equipment

### Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks	Gas storage
<b>Gross book value</b>				
<b>As at 31-12-2016</b>	<b>53,244</b>	<b>174,462</b>	<b>6,269,343</b>	<b>378,561</b>
Investments	442	2,985	34,456	1,648
Subsidies received	0	0	0	0
Disposals and retirements	-50	-38	-4,002	0
Internal transfers	0	96	1,595	852
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	-485	0	-155,640	0
<b>As at 31-12-2017</b>	<b>53,151</b>	<b>177,505</b>	<b>6,145,752</b>	<b>381,061</b>
Investments	1,299	360	23,617	604
Subsidies received	0	0	0	0
Disposals and retirements	-73	0	-3,428	0
Internal transfers	0	77	3,489	0
Changes in the consolidation scope and assets held for sale	0	216,365	0	0
Translation adjustments	0	0	40,600	0
<b>As at 31-12-2018</b>	<b>54,377</b>	<b>394,307</b>	<b>6,210,030</b>	<b>381,665</b>



In thousands of €

LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>1,145,793</b>	<b>46,103</b>	<b>58,317</b>	<b>132,644</b>	<b>8,258,467</b>
4,025	57	8,146	92,341	144,100
-1,774	0	0	-342	-2,116
-785	-230	-974	-124	-6,203
-2,579	0	0	36	0
0	0	0	0	0
0	47	-24	0	-156,102
<b>1,144,680</b>	<b>45,977</b>	<b>65,465</b>	<b>224,555</b>	<b>8,238,146</b>
4,686	33	5,795	202,037	238,431
0	0	0	0	0
-24	0	-8,569	0	-12,094
2,850	0	0	-6,416	0
1,136,358	0	106,396	37,653	1,496,772
0	0	-10	0	40,590
<b>2,280,550</b>	<b>46,010</b>	<b>169,077</b>	<b>457,829</b>	<b>10,001,845</b>

## Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks	Gas storage
<b>Depreciation and impairment losses</b>				
<b>As at 31-12-2016</b>	<b>0</b>	<b>-92,986</b>	<b>-2,796,036</b>	<b>-209,190</b>
Depreciation	0	-3,460	-250,036	-10,768
Disposals and retirements	0	2	2,998	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	71,651	0
<b>As at 31-12-2017</b>	<b>0</b>	<b>-96,444</b>	<b>-2,971,423</b>	<b>-219,958</b>
Depreciation	0	-4,693	-211,826	-10,578
Disposals and retirements	0	0	68	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	-16,475	0
<b>As at 31-12-2018</b>	<b>0</b>	<b>-101,137</b>	<b>-3,199,656</b>	<b>-230,536</b>
<b>Net book values as at 31-12-2018</b>	<b>54,377</b>	<b>293,170</b>	<b>3,010,374</b>	<b>151,129</b>
<b>Net book values as at 31-12-2017</b>	<b>53,151</b>	<b>81,061</b>	<b>3,174,329</b>	<b>161,103</b>

In thousands of €

LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>-757,871</b>	<b>-43,513</b>	<b>-43,271</b>	<b>0</b>	<b>-3,942,867</b>
-28,862	-145	-6,504	0	-299,775
1	0	922	0	3,923
0	0	0	0	0
0	0	0	0	0
0	12	50	0	71,713
<b>-786,732</b>	<b>-43,646</b>	<b>-48,803</b>	<b>0</b>	<b>-4,167,006</b>
-38,369	-66	-6,046	0	-271,578
20	0	7,744	0	7,832
0	0	0	0	0
0	0	0	0	0
0	0	7	0	-16,468
<b>-825,081</b>	<b>-43,712</b>	<b>-47,098</b>	<b>0</b>	<b>-4,447,220</b>
<b>1,463,469</b>	<b>2,298</b>	<b>121,979</b>	<b>457,829</b>	<b>5,554,625</b>
<b>357,948</b>	<b>2,331</b>	<b>16,662</b>	<b>224,555</b>	<b>4,071,140</b>

## Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks	Gas storage
<b>Net book values as at 31-12-2018 of which:</b>	<b>54,377</b>	<b>293,170</b>	<b>3,010,374</b>	<b>151,129</b>
At cost	54,377	293,170	3,010,374	151,129
At revaluation	0	0	0	0
<b>Net book values as at 31-12-2018 of assets held under finance leases (1)</b>	<b>0</b>	<b>0</b>	<b>46,023</b>	<b>0</b>
<b>Supplementary information</b>				
Net book value of assets temporarily retired from active use	110	0	0	0

(1) Assets held under finance lease with FL Zeebrugge NV (see Note 3.4)

Property, plant and equipment mainly comprises the group's transmission, storage (Loenhout) and LNG terminalling (Zeebrugge) and Dunkerque facilities.

In 2018, the Fluxys Group made investments for an amount of €238.4 million. The primary investments made concern:

- Transmission facilities (€171.4 million, largely relating to the EUGAL projects in Germany) and
- the LNG terminalling facilities (€66.2 million, of which €56.6 million relating to the construction of the fifth tank at the Zeebrugge LNG terminal).

In relation to investments that are currently in progress or planned, the group Fluxys Belgium has commitments under Engineering, Procurement and Construction Management contracts for an amount of €13.8 million as at 31-12-2018. The investments expected by the group for the EUGAL project come to €320 million. The property, plant and equipment for Dunkerque LNG were integrated in changes in the consolidation scope on the date of acquisition of a controlling interest on 31/10/2018 (see Note 3.1.1).

In thousands of €

LNG terminal	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>1,463,469</b>	<b>2,298</b>	<b>121,979</b>	<b>457,829</b>	<b>5,554,625</b>
1,463,469	2,298	121,979	457,829	5,554,625
0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,023</b>
0	0	0	0	110

The costs of loans activated on investments under construction amounted to €4.1 million in 2018 compared with €3.5 million in 2017. The interest rates used are based on the cost of the loans concerned.

The depreciation charge for the period amounts to €271.6 million and reflects the rate at which the group expects to consume the economic benefits of the property, plant and equipment. The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specificity of the sector's activities.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs.

Given the specific nature of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date, the group has identified no indication or event which would lead any item of property, plant and equipment to be considered impaired (see Note 4.3.5.1).

## Note 5.2. Intangible assets

Movements in the book value of intangible assets				In thousands of €
	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
<b>Gross book value</b>				
<b>As at 31-12-2016</b>	<b>32,795</b>	<b>244,600</b>	<b>793,832</b>	<b>1,071,227</b>
Investments	3,515	0	0	3,515
Disposals and retirements	-5,205	0	0	-5,205
Translation adjustments	0	0	-57,203	-57,203
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2017</b>	<b>31,105</b>	<b>244,600</b>	<b>736,629</b>	<b>1,012,334</b>
Investments	4,128	0	0	4,128
Disposals and retirements	-10,662	0	0	-10,662
Translation adjustments	0	0	14,149	14,149
Changes in the consolidation scope	4,477	0	1,234,653	1,239,130
Other	0	0	0	0
<b>As at 31-12-2018</b>	<b>29,048</b>	<b>244,600</b>	<b>1,985,431</b>	<b>2,259,079</b>

**Movements in the book value of intangible assets**

In thousands of €

	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
<b>Depreciation and impairment losses</b>				
<b>As at 31-12-2016</b>	<b>-25,698</b>	<b>-54,514</b>	<b>-251,675</b>	<b>-331,887</b>
Depreciation and impairment losses	-4,006	-8,765	-106,821	-119,592
Disposals and retirements	5,205	0	0	5,205
Translation adjustments	0	0	27,816	27,816
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2017</b>	<b>-24,499</b>	<b>-63,279</b>	<b>-330,680</b>	<b>-418,458</b>
Depreciation and impairment losses	-3,872	-8,766	-97,351	-109,989
Disposals and retirements	10,593	0	0	10,593
Translation adjustments	0	0	-3,760	-3,760
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
<b>As at 31-12-2018</b>	<b>-17,778</b>	<b>-72,045</b>	<b>-431,791</b>	<b>-521,614</b>



**Movements in the book value of intangible assets**

In thousands of €

	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
<b>Net book value as at 31-12-2018</b>	<b>11,270</b>	<b>172,555</b>	<b>1,553,640</b>	<b>1,737,465</b>
<b>Net book value as at 31-12-2017</b>	<b>6,606</b>	<b>181,321</b>	<b>405,949</b>	<b>593,876</b>

Intangible assets comprise the net book value of software and of emission rights, the value to the Fluxys Group of the nomination of Fluxys Belgium and Fluxys LNG as sole network operators as well as the value of client portfolios acquired.

The software included in intangible assets is software developed or purchased by the group which bears characteristics of an investment. This software is depreciated on a straight-line basis. Major investments during the financial year concern software developed in relation to gas flow and asset management and related administrative tools.

Business combinations in Fluxys have been realised using the acquisition method. As part of the fair value accounting of the assets acquired and liabilities assumed, the group has accounted for intangible assets which represent the value for the group of the nomination of Fluxys Belgium as the sole operator of the natural gas transmission network and storage facilities and that of Fluxys LNG as sole operator of the LNG facilities. Fluxys has also accounted for the value of client portfolios of FluxSwiss, Fluxys TENP, Interconnector (UK), GMSL, Dunkerque LNG and Hub activities. The main depreciation periods used for these assets are described in the accounting methods (see Note 2.7). It should be noted that the intangible asset 'HUB in Belgium' will be fully depreciated in 2023, Fluxswiss asset in 2034 and the Dunkerque asset for the most part in 2037 and in 2061 for the balance.

The changes in the consolidation scope include, in 2018, the entry of the intangible assets of Dunkerque LNG following the first full consolidation of the company since the acquisition of a controlling interest by the group on 31/10/2018 (see Note 3.1.1).

At the balance sheet date, the group has identified no indication or event which would lead any item of intangible assets to be considered impaired.

### Note 5.3. Goodwill

Goodwill	In thousands of €	
	31-12-2018	31-12-2017
Goodwill FLUXYS BELGIUM SA	1,924	1,924
<b>Total</b>	<b>1,924</b>	<b>1,924</b>

The goodwill recorded in the group's financial statements arises from the business combination transaction realised in September 2010, the date on which Publigas has contributed its investment in Fluxys Belgium SA to Fluxys.

The amount of €1,924 thousand corresponds to the excess of the cost of the business combination with respect to the net fair value of the assets, liabilities and any potential liabilities that could be identified as at 10 September 2010. It is allocated to the cash-generating unit 'regulated activities in Belgium' for the impairment test.

## Note 5.4. Investments in associates and joint ventures

As at 31 December 2018, the Fluxys group has the following investments in associates and joint ventures:

- TENP GMBH (50%),
- TAP (19%),
- Balansys (50%),
- LNG Link Investment (25%),
- Mahon Shipping (25%),
- Eloops (51%),
- Rostock LNG (51%),
- Senfluga Energy Infrastructure Holdings (20%).

Movements in equity accounted investees	In thousands of €	
	31-12-2018	31-12-2017
<b>Equity accounted investees – opening balance</b>	<b>551,351</b>	<b>500,188</b>
Investments	40,500	270
Share in the total comprehensive result	21,308	17,143
Dividends paid	-13,952	-148
Changes in the consolidation scope	-183,976	0
Translation adjustments	189	-2,435
Capital increases	36,283	60,614
Capital reductions	-211,247	-24,281
<b>Equity accounted investees – closing balance</b>	<b>240,456</b>	<b>551,351</b>

The investments in 2018 corresponded to the shares acquired in Senfluga Energy Infrastructure Holdings SA and in Rostock LNG.

The profit/loss from investments in associated is affected, in 2018, by the favourable contributions of Dunkerque LNG until the acquisition of a controlling interest in November 2018, and Swedegas Holding until the sale of the stake in November 2018.

The dividends paid include the effects of the dividend paid by Dunkerque LNG in 2018, at the end of its first operating year, and the absence of the dividend paid by the company Gasbridge 2 in 2017.

In 2018, the 25% stake initially held in Dunkerque LNG came out of the investments in associates at the time of the acquisition of a controlling interest in the company in November 2018, which is from now on fully consolidated. Moreover, the 50% held in Swedegas Holding was sold by the group in November. These 2 transactions are accounted for in the changes in the consolidation scope.

In 2018, the capital increases correspond to the capital injections in TAP. The capital reductions come from Dunkerque LNG following external financing for the company after the commissioning of the terminal. These capital reductions took place before the acquisition of a controlling interest in the company by the group.

## Note 5.5. Other financial assets

Other financial assets		In thousands of €	
	Notes	31-12-2018	31-12-2017
Shares at cost	5.5.1	2,744	2,777
Investment securities at fair value through profit or loss	5.5.2/6	0	81,092
Investment securities at amortised cost	5.5.2/6	9,656	0
Other investments at amortised cost	5.5.2/6	65,990	0
Financial instruments at fair value through profit or loss	5.5.3/6	4,625	0
Financial instruments at fair value through other comprehensive income	5.5.4/6	5,708	9,801
Other financial assets at cost		272	253
<b>Total</b>		<b>88,995</b>	<b>93,923</b>

**5.5.1.** The shares in these companies, which have activities that are of interest to the Fluxys Group, are held with the intention of keeping them for the long term without being able to exercise significant control or influence. These shares are not listed on an active market. They are valued at the cost of acquisition.

**5.5.2.** These items include cash investments with a maturity longer than one year. They are mainly from Flux Re of which the cash is destined to cover the risk of the entity in the scope of its reinsurance business. The maturity of these investments is between 2020 and 2027.

**5.5.3.** As at 31-12-2018, the financial instruments at fair value through profit/loss mainly concern derivative instruments linked to SEK. With the sale of Swedegas Holding, the group proceeded to unwind the SEK interest rate hedge and neutralised these instruments. However, an amount still needs to be received in cash by the group over the coming years (see Note 6).

**5.5.4.** As at 31-12-2018, the financial instruments at fair value through other comprehensive income mainly concern the derivative instruments concluded to hedge the risk incurred by the group with respect to CHF and interest rates (hedging via caps). As at 31.12.2017, the fair value financial instruments through other comprehensive income mainly concerned the derivative instruments entered into with a view to hedging the risk incurred by the group with respect to CHF and SEK (see Note 6).

## Note 5.6. Other receivables and other non-current assets

Other receivables		In thousands of €	
	Notes	31-12-2018	31-12-2017
Non-current loans	5.6.1	99,957	110,673
Calls for funds and others	5.6.2	9,319	357,591
<b>Total</b>		<b>109,276</b>	<b>468,264</b>

**5.6.1.** Interconnector (UK) subscribed to bonds of F L Zeebrugge, with a final maturity in November 2025. These euro bonds are fixed rate.

**5.6.2.** As regards facilities under construction, shareholder loans were made to TAP until the end of 2018. TAP refunded these loans to the group however at the end of December 2018, once its external financing was finalised.

Maturity of non-current receivables at 31-12-2018			In thousands of €
	Between one and five years	More than five years	Total
Non-current loans	60,402	39,555	99,957
Calls for funds and others	9,319		9,319
<b>Total</b>	<b>69,721</b>	<b>39,555</b>	<b>109,276</b>

Maturity of non-current receivables at 31-12-2017		In thousands of €	
	Between one and five years	More than five years	Total
Non-current loans	52,857	57,816	110,673
Calls for funds and others	357,591	0	357,591
<b>Total</b>	<b>410,448</b>	<b>57,816</b>	<b>468,264</b>

Other non-current assets		In thousands of €	
	Notes	31-12-2018	31-12-2017
Plan asset surpluses 'IAS 19 Employee benefits'	5.14	16,127	11,607
Prepaid insurance expenses	5.6.3	2,538	4,222
<b>Total</b>		<b>18,665</b>	<b>15,829</b>

**5.6.3.** Fluxys LNG is insured with Credendo against certain risks incurred as part of the transshipment project. This insurance is in effect until 2021.

The part of this premium that has been paid and is not past due is included under this item for the part that is due in more than one year whilst the part that is due within the year is included in the item 'Other current assets' (see Note 5.10.1).

## Note 5.7. Inventories

Book value of inventories	In thousands of €	
	31-12-2018	31-12-2017
<b>Supplies</b>	<b>24,942</b>	<b>16,628</b>
Gross book value	31,708	22,997
Impairment losses	-6,766	-6,369
<b>Goods held for resale</b>	<b>14,897</b>	<b>13,113</b>
Gross book value	14,897	13,110
Impairment losses	0	3
<b>Work in progress</b>	<b>230</b>	<b>150</b>
Gross book value	230	150
Impairment losses	0	0
<b>Total</b>	<b>40,069</b>	<b>29,891</b>

Inventories of materials related to the transmission network are at their normal operating levels. The change in this item can be explained by the integration of Gaz-Opale supply inventories (Not included in the impact of movements on net profit/loss).

Impact of movements on net profit/loss	In thousands of €	
	31-12-2018	31-12-2017
Inventories – purchased or used	2,678	4,974
Impairment losses	-400	831
<b>Total</b>	<b>2,278</b>	<b>5,805</b>



## Note 5.8. Trade and other receivables

Trade and other receivables		In thousands of €	
	Notes	31-12-2018	31-12-2017
Gross trade receivables		153,051	153,970
Impairment losses		-1,567	-2,763
<b>Net trade receivables</b>	<b>5.8.1</b>	<b>151,484</b>	<b>151,207</b>
Other receivables		44,822	58,866
<b>Total</b>		<b>196,306</b>	<b>210,073</b>

**5.8.1.** The Fluxys Group reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers, a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position (see Note 6).

The credit losses expected and accounted for in trade and other receivables are not very material for the Fluxys group.

Trade receivables can be broken down as follows according to their ageing:

Net trade receivables according to ageing		In thousands of €	
		31-12-2018	31-12-2017
Receivables not past due		147,889	150,305
Receivables < 3 months		3,399	680
Receivables 3 - 6 months		96	0
Receivables > 6 months		0	0
Receivables in litigation or doubtful		100	222
<b>Total</b>		<b>151,484</b>	<b>151,207</b>

Disputed or doubtful receivables mainly concern grid users. Those which are deemed unrecoverable have been subject to impairment losses of 100%.

## Note 5.9. Short-term investments, cash and cash equivalents

Short-term investments are investments with a maturity of more than three months and maximum one year in bonds, commercial paper and bank deposits.

Cash and cash equivalents are mainly investments in commercial paper that mature within a maximum of three months after the date of acquisition, term deposits at credit institutions, current account bank balances and cash in hand.

Short-term investments, cash and cash equivalents	In thousands of €	
	31-12-2018	31-12-2017
<b>Short-term investments</b>	<b>270,215</b>	<b>162,696</b>
<b>Cash and cash equivalents</b>	<b>296,558</b>	<b>265,668</b>
Cash equivalents	0	0
Short-term deposits	22,707	73,665
Bank balances	273,823	191,969
Cash in hand	28	34
<b>Total</b>	<b>566,773</b>	<b>428,364</b>

The credit losses expected and accounted for in investments, cash and cash equivalents are not very material for the Fluxys group.

## Note 5.10. Other current assets

Other current assets		In thousands of €	
	Notes	31-12-2018	31-12-2017
Accrued income		2,528	2,515
Prepaid expenses		17,922	17,561
Other current assets	5.10.1	1,792	2,956
<b>Total</b>		<b>22,242</b>	<b>23,032</b>

Other current assets mainly comprise prepaid expenses amounting to €17,922 thousand (insurance, rent, etc.) as well as various items of accrued income to be cashed.

**5.10.1.** Other current assets for their part include the short-term share of the plan asset surpluses compared with the actuarial debt relating to the group's pension liabilities (see Notes 5.6 and 5.14).

## Note 5.11. Equity

Publigas established the public limited company Fluxys on 12 July 2010, into which it transferred its stake (89.97%) in Fluxys Belgium SA on 10 September 2010.

On 30 March 2011, Caisse de dépôt et placement du Québec acquired a 10% stake in Fluxys SA, by means of a €150 million capital increase.

On 28 November 2011, Fluxys carried out a second capital increase of €300 million.

Fluxys has proceeded with other capital increases for a total amount of €151.5 million, of which €34.7 million uncalled. As a result of these capital increases the Federal Holding and Investment Company (FHIC) has entered the capital of Fluxys as well as the employees and management of the group.

As at 31 December 2018, Fluxys' shareholder structure was as follows:

- 77.54% : Publigas
- 19.91% : Caisse de dépôt et placement du Québec
- 2.13%: Federal Holding and Investment Company
- 0.42%: Employees and management

These capital increases fall within the group's objective to maintain a solvency ratio of at least a third of equity.

Non-controlling interests amount to €1,483,557 thousand, representing the 10.00% stake held by minority shareholders in Fluxys Belgium SA and its subsidiaries (€81,615 thousand); 49.35% % in FluxSwiss (€245,734 thousand); 23.68% in Interconnector (UK) (€84,332 thousand) and the 69.61% in Dunkerque LNG (€1,072,357 thousand).

## Note on parent entity shareholding

	Ordinary shares	Preferential shares	Total
<b>I. Movements in number of shares</b>			
1. Number of shares, opening balance	86,816,972	0	<b>86,816,972</b>
2. Number of shares issued	120,094	0	<b>120,094</b>
3. Number of ordinary shares cancelled or reduced (-)	0	0	<b>0</b>
4. Number of preference shares cancelled or reduced (-)	0	0	<b>0</b>
5. Other increase (decrease)	0	0	<b>0</b>
6. Number of shares, closing balance	86,937,066	0	<b>86,937,066</b>
<b>II. Other information</b>			
1. Face value of shares	No face value mentioned		
2. Number of shares owned by the company	0	0	<b>0</b>
3. Interim dividends during the financial year	0	0	<b>0</b>

## Note 5.12. Interest-bearing liabilities

Non-current interest-bearing liabilities		In thousands of €	
	Notes	31-12-2018	31-12-2017
Finance leases	5.12.1	101,655	111,812
Bonds	5.12.2	943,168	942,590
Other borrowings	5.12.3	1,737,103	1,104,426
Other financing	5.12.4	95,343	157,538
Other liabilities	5.12.5	407,319	352,055
Joint arrangements	5.12.6	45,789	55,461
<b>Total</b>		<b>3,330,377</b>	<b>2,723,882</b>
Of which debts guaranteed by the public authorities or by actual sureties		0	0

Current interest-bearing liabilities		In thousands of €	
	Notes	31-12-2018	31-12-2017
Finance leases	5.12.1	11,053	12,908
Bonds	5.12.2	3,456	362,336
Other borrowings	5.12.3	230,670	183,734
Other financing	5.12.4	30,097	20,361
Other liabilities	5.12.5	95,367	57,918
<b>Total</b>		<b>370,643</b>	<b>637,257</b>
Of which debts guaranteed by the public authorities or by actual sureties		0	0

**5.12.1.** Interconnector (UK) entered into a fixed-rate financial lease which matures in 2026. This contract concerns the Zeebrugge compression facilities.

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

Fluxys completed bond issues in the form of European Private Placements over the course of the months of December 2015 and January 2016 for a total of €250 million. An amount of €150 million was issued for a duration of 30 years and the balance was issued for a duration of 20 years. These bonds offer a gross annual coupon of 2.75% and 3.08%.

These transactions enabled Fluxys to diversify the duration of its financing under advantageous conditions.

**5.12.3.** Other borrowings included as at 31-12-2018:

- A 25-year loan of €306.0 million at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network.
- Loans taken out by FluxSwiss and Transitgas of which the balance was €285.6 million as at 31-12-2018. Cap instruments were acquired by the group to limit the risk incurred with variable interest rates for these loans.
- Loans taken out by TENP KG of which the balance was €131.8 million as at 31-12-2018.
- Fixed-rate loans taken out by Fluxys for €329.8 million with maturities between 2021 and 2028.
- Fixed-rate loans granted by the shareholders Publigas and SFPI for €45.0 million with a maturity between 2020 and 2032.
- A loan taken out by Dunkerque LNG for €795.7 million with variable interest rate, repayable on 31 December 2022.
- Medium- and short-term loans and pro rata interest for the balance.

**5.12.4.** Other financing corresponds to the amount at the group's disposal firstly to finance investments, notably in the second jetty at Zeebrugge and secondly the cost associated with the conversion of part of the gas transmission network. Part of these amounts bears interest at a 10-year rate and the remainder at the average 1-year Euribor rate.

**5.12.5.** Regulatory liabilities included in 'other liabilities' represent the positive difference between the invoiced regulated tariffs and the acquired regulated tariffs. The share listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the share to be used within the year is listed as current liabilities. These amounts bear interest.

**5.12.6.** These amounts correspond to contributions into the joint operations Transitgas and TENP KG by the joint operators. They arise from the fact that the integration percentages of these joint operations are not based on participations in these companies but are based on the rights attached to the assets and obligations for the liabilities incurred by the group in accordance with the capacity reserved in the installations.



## Changes in liabilities based on financing activities

In thousands of €

	31.12.2017	Cash flow			Other movements			31.12.2018	
			Reclassificati on between non-current and current	Adaptation for the previous financial year and fair value depreciation	Variation in accrued interests payable	Depreciation of issuance costs	Translation adjust- ments	Change in the consolidatio n scope	Total
<b>Non-current interest- bearing liabilities</b>	<b>2,723,882</b>	<b>-32,797</b>	<b>-158,904</b>	<b>-2,003</b>	<b>-2,685</b>	<b>4,478</b>	<b>896</b>	<b>797,510</b>	<b>3,330,377</b>
Finance leases	111,812	0	-11,053	0	0	0	896	0	101,655
Bonds	942,590	0	0	0	0	578	0	0	943,168
Other borrowings	1,104,426	-16,194	-147,851	-2,003	-2,685	3,900	0	797,510	1,737,103
Other financing	157,538	-62,195	0	0	0	0	0	0	95,343
Other liabilities	352,055	55,264	0	0	0	0	0	0	407,319
Joint arrangements	55,461	-9,672	0	0	0	0	0	0	45,789
<b>Current interest- bearing liabilities</b>	<b>637,257</b>	<b>-415,482</b>	<b>158,904</b>	<b>0</b>	<b>-10,086</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>370,643</b>
Finance leases	12,908	-12,908	11,053	0	0	0	0	0	11,053
Bonds	362,336	-350,000	0	0	-8,930	50	0	0	3,456
Other borrowings	183,734	-99,759	147,851	0	-1,156	0	0	0	230,670
Other financing	20,361	9,736	0	0	0	0	0	0	30,097
Other liabilities	57,918	37,449	0	0	0	0	0	0	95,367
<b>Total</b>	<b>3,361,139</b>	<b>-448,279</b>	<b>0</b>	<b>-2,003</b>	<b>-12,771</b>	<b>4,528</b>	<b>896</b>	<b>797,510</b>	<b>3,701,020</b>

Cash flows for interest-bearing liabilities are included in points IV.1.6, 2.3 and 2.5 of the consolidated statement of cash flows.

The columns 'variation in interest to be paid' and 'amortisation of issuance costs' correspond to the difference between interest paid (see point IV.3.1 of the consolidated statement of cash flows) and interest charges on debts (see Note 4.5.1.).

<b>Maturity of interest-bearing liabilities at 31-12-2018 non-discounted</b>				In thousands of €
	<b>Up to one year</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>Total</b>
Finance leases	17,738	59,350	62,823	139,911
Bonds	27,839	97,598	1,188,717	1,314,154
Other borrowings	271,199	1,522,012	427,958	2,221,169
Other financing	30,706	36,308	64,902	131,916
Other liabilities	95,367	292,064	115,255	502,686
Joint arrangements	0	45,789	0	45,789
<b>Total</b>	<b>442,849</b>	<b>2,053,121</b>	<b>1,859,655</b>	<b>4,355,625</b>
<b>Supplementary information</b>				
<b>Finance leases:</b>				
Present value of minimum payments at market rate	21,047	57,608	60,978	139,633
Total minimum leases payments (A)	17,738	59,350	62,823	139,911
Interest (B)	6,685	9,967	10,551	27,203
Total finance leases (A-B)	11,053	49,383	52,272	112,708

**Maturity of interest-bearing liabilities at 31-12-2017 non-discounted**

In thousands of €

	Up to one year	One to five years	More than five years	Total
Finance leases	18,884	71,954	63,970	154,808
Bonds	391,801	345,376	922,916	1,660,093
Other borrowings	218,068	854,163	456,432	1,528,663
Other financing	21,001	78,638	85,377	185,016
Other liabilities	57,918	178,251	173,804	409,973
Joint arrangements	0	55,461	0	55,461
<b>Total</b>	<b>707,672</b>	<b>1,583,843</b>	<b>1,702,499</b>	<b>3,994,014</b>

**Supplementary information**
**Finance leases:**

Present value of minimum payments at market rate	20,094	75,277	66,924	162,295
Total minimum leases payments (A)	18,884	71,954	63,970	154,808
Interest (B)	5,976	18,261	5,851	30,088
Total finance leases (A-B)	12,908	53,693	58,119	124,720

## Note 5.13. Provisions

### 5.13.1 Provisions for employee benefits

Provisions for employee benefits	In thousands of €
<b>Provisions at 31-12-2017</b>	<b>66,501</b>
Additions	8,743
Use	-7,281
Release	0
Unwinding of the discount	4,051
Actuarial gains/losses recognised in the profit/loss (seniority bonuses)	-427
Expected return on plan assets	-2,180
Actuarial gains/losses recognised in equity	-5,441
Reclassification to the assets	3,356
Foreign exchange effect	-851
Change in the consolidation scope	6,648
<b>Provisions at 31-12-2018, of which:</b>	<b>73,119</b>
Non-current provisions	68,469
Current provisions	4,650

The first full consolidation of Dunkerque LNG and Gaz-Opale generated an increase in the provisions included in the changes in the consolidation scope. The other employee benefits not pre-funded (see Note 5.14) are slightly down.

The defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2018. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (see Note 5.6) and 'Other current assets' (see Note 5.10.1). In accordance with IFRIC 14, the group had capped recognised assets at €14,563 thousand in 2017 pending changes in the pension fund financing policy. This was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans. This cap therefore no longer applies in 2018.

### 5.13.2. Other provisions

Provisions for:	In thousands of €		
	Litigation and claims	Environment and site restoration	Total other provisions
<b>Provisions at 31-12-2017</b>	<b>2,866</b>	<b>16,108</b>	<b>18,974</b>
Additions	3,892	0	<b>3,892</b>
Use	-13,194	-120	<b>-13,314</b>
Release	0	0	<b>0</b>
Unwinding of the discount	0	59	<b>59</b>
Foreign exchange effect	5	1,506	<b>1,511</b>
Changes in the consolidation scope	12,800	32,885	<b>45,685</b>
Other changes		2,160	<b>2,160</b>
<b>Provisions at 31-12-2018, of which:</b>	<b>6,369</b>	<b>52,598</b>	<b>58,967</b>
Non-current provisions	2,503	52,389	<b>54,892</b>
Current provisions	3,866	209	<b>4,075</b>

Provisions for litigation and claims increased following the integration of Dunkerque LNG into the consolidation scope. A provision was identified by this company at balance sheet date of €3.9 million for the additional costs estimated for the halt of the operations of the LNG terminal at Dunkirk because of works to the flare system and for the rapid refuelling service. The uses and changes in the consolidation scope also concern the works at Dunkirk LNG.

Provisions for site restoration include, in 2018, a provision for decommissioning linked to the LNG tanker terminal at Dunkirk, in the changes in the consolidation scope.

### 5.13.3. Movements in the income statement and maturity of provisions

Movements in the income statement and maturity of provisions are distributed as follows:

Impact				In thousands of €
	Additions	Use and reversals	Total	
Profit (loss) from continuing operations	12,635	-20,595	-7,960	
Financial profit (loss)	4,110	-2,607	1,503	
<b>Total</b>	<b>16,745</b>	<b>-23,202</b>	<b>-6,457</b>	

Maturity of provisions at 31-12-2018					In thousands of €
	Up to one year	Between one and five years	More than five years	Total	
Litigation and claims	3,866	0	2,503	6,369	
Environment and site restoration	209	2,830	49,559	52,598	
<b>Subtotal</b>	<b>4,075</b>	<b>2,830</b>	<b>52,062</b>	<b>58,967</b>	
Employee benefits	4,650	18,600	49,869	73,119	
<b>Total</b>	<b>8,725</b>	<b>21,430</b>	<b>101,931</b>	<b>132,086</b>	

Maturity of provisions at 31-12-2017					In thousands of €
	Up to one year	Between one and five years	More than five years	Total	
Litigation and claims	0	403	2,463	2,866	
Environment and site restoration	325	1,484	14,299	16,108	
<b>Subtotal</b>	<b>325</b>	<b>1,887</b>	<b>16,762</b>	<b>18,974</b>	
Employee benefits	3,984	19,615	42,902	66,501	
<b>Total</b>	<b>4,309</b>	<b>21,502</b>	<b>59,664</b>	<b>85,475</b>	

### Discount rate

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

Discount rate	31-12-2018	31-12-2017
Between 1 and 5 years	0.31 %	0,02 %
Between 6 and 9 years	1.10 %	0,86 %
Between 10 and 12 years	1.27 %	0,90 %
Between 13 and 19 years	1.70 %	1,73 %
Over 19 years	1.72 %	1,81 %

### Provisions for litigation and claims

These provisions have been established to cover likely litigation payments arising in particular from the construction of the Zeebrugge LNG terminal (1983) and the halt of the operations of the LNG terminal at Dunkirk for works to the flare system and for the rapid refuelling service.

The estimation for these provisions are based on the value of claims filed or on the estimated amount of risk incurred.

### Provisions for the environment and site restoration

These provisions essentially cover the costs of decommissioning, safety, clean-up and restoration of sites subject to closure.

In Belgium, these provisions come under the regional environmental legislative framework and the Gas Act. The obligations covered by these provisions require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

## Note 5.14. Provisions for employee benefits

### Description of the principal retirement schemes and related benefits

In Belgium collective labour agreements regulate the rights of employees in the electricity and gas industries.

### Defined benefit pension plans

These agreements, applicable in Belgium, to the 'non exempt population' recruited before 1 June 2002 and management personnel recruited before 1 May 1999 allowing affiliates to benefit from a capital calculated based on a formula that takes account of their final annual salary and the number of years of service when they leave or retire. These retirement schemes are referred to as defined benefit pension plans.

Obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.

Employees and employers contribute to these pension plans. The employer's contribution is determined annually on the basis of an actuarial report. This is to ensure that the minimum legal funding requirements have been met and that the long-term funding of the benefits is assured.

### Description of the main actuarial risks

The group is exposed, in connection with its defined benefit pension plans, to risks related to actuarial assumptions concerning investments, interest rates, life expectancy and salary development.

The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds.



Each year, the discount rate used to calculate obligations for financing pension liabilities and minimum financing requirements is compared with the expected return on plan assets. The latter is obtained from the risk-free rate observed on the financial markets at the balance sheet date, the risk premiums for each category of assets in the portfolio and their corresponding volatility. If the expected return is lower than the discount rate, the latter is reduced.

The assumptions concerning salary increases, inflation, personnel movements and expected average retirement age are defined based on historic entity statistics. The mortality tables used as those published by the IABE (Institute of Actuaries in Belgium).

The defined benefit pension plans have surplus plan assets of €17,919 thousand compared with the actuarial liability on estimated liabilities of the group as at 31-12-2018. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' and 'Other current assets'. In accordance with IFRIC 14, the group had capped recognised assets at €14,563 thousand in 2017 pending changes in the pension fund financing policy. This was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans. This cap therefore no longer applies in 2018.

#### **Defined contribution pension plans with guaranteed minimum return**

In Belgium, 'non exempt population' recruited after 1 June 2002 and management staff recruited after 1 May 1999 as well as the members of the management benefit from defined contribution pension plans. Other companies in the group also grant this type of benefit to certain categories of staff.

The pension plans are financed by contributions from employees and employers, the latter corresponding to a multiple of the contributions from employees.

In Belgium, obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.

The assets of the pension funds are allocated among the various categories of the following risks:

- Low risk: bonds in the euro zone and/or high-quality bonds.
- Medium risk: risk diversification between bonds, convertible bonds, real estate and equity instruments.
- High risk: equity instruments, real estate, etc.
- Dynamic Asset Allocation: rapid adjustment of the portfolio structure in case specific events occur in order to limit losses in periods of stress.

Belgian law requires that the employer guarantees a minimum return for defined contribution, which varies based on the market rates.

The minimum returns guaranteed by the employer are the following:

- For contributions paid since 01-01-2016, the minimum return is variable based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. Given the current rates, this minimum return guaranteed has been set at 1.75%.
- For contributions paid up until 31-12-2015, the minimum return of 3.25% for employer contributions and 3.75% for employee contributions applies up to that date. Since 01-01-2016, the minimum return is calculated as mentioned in the previous paragraph.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit plans' (see Note 2.16).

### **Description of the main risks**

Defined contribution plans expose the employer to the risk of a minimum return on pension fund assets that do not offer a sufficient guaranteed return.

### **Other long-term employee benefits**

Fluxys Group also has other pension benefits, early pension schemes, other post-employment benefits such as reimbursement of medical expenses and tariff reductions, as well as other long-term benefits (seniority bonuses). Not all of these benefits are funded.

## Financial status of the employee benefits

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
Present value of funded obligations	-217,988	-200,724	-43,605	-52,183
Fair value of plan assets	206,393	215,969	0	0
<b>Funded status of plans</b>	<b>-11,595</b>	<b>15,245</b>	<b>-43,605</b>	<b>-52,183</b>
Effect of the asset ceiling	0	-15,000	0	0
Other	0	0	0	0
<b>Net employee benefit liability</b>	<b>-11,595</b>	<b>245</b>	<b>-43,605</b>	<b>-52,183</b>
Of which assets	17,919	14,563	0	0
Of which liabilities	-29,514	-14,318	-43,605	-52,183

\* Pensions also include non-prefinanced early-retirement obligations. They also include, since 2018, contributions paid to cover pension schemes with a profile that takes into account seniority.

\*\* The item 'Other' includes seniority bonuses paid over the course of the career as well as other post-employment benefits (reimbursement of medical expenses and price subsidies).

## Movements in the present value of obligations

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
<b>At the start of the period</b>	<b>-200.724</b>	<b>-200,907</b>	<b>-52.183</b>	<b>-54,412</b>
Service costs	-7.837	-7,218	-1.161	-1,681
Early retirement costs	274	234	0	0
Financial loss (-) / profit (+)	-3.391	-2,195	-660	-721
Participant's contributions	-767	-1,892	0	0
Change in demographic assumptions	-1.800	-1,746	-75	897
Change in financial assumptions	7.064	-1,308	256	994
Change from experience adjustments	-4.116	2,926	297	876
Past service costs	0	0	0	0
Benefits paid	7.663	9,992	1.801	1,864
Change in the consolidation scope	-6.200	0	0	0
Reclassifications	-8.154	0	8.154	0
Other	0	1,390	-34	0
<b>At the end of the period</b>	<b>-217.988</b>	<b>-200,724</b>	<b>-43.605</b>	<b>-52,183</b>

Reclassifications recognised in 2018 corresponded to commitments associated with pension schemes with a profile of contribution payments that takes account of seniority.

### Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
<b>At the start of the period</b>	<b>215,969</b>	<b>205,717</b>	<b>0</b>	<b>0</b>
Interest income	2,180	2,198	0	0
Return on plan assets (excluding net interest income)	-11,096	10,342	0	0
Employer's contributions	5,461	7,121	1,801	1,864
Participants' contributions	767	1,892	0	0
Benefits paid	-7,663	-9,992	-1,801	-1,864
Change in financial assumptions	338	0	0	0
Other	437	-1,309	0	0
<b>At the end of the period</b>	<b>206,393</b>	<b>215,969</b>	<b>0</b>	<b>0</b>
<b>Actual return on plan assets</b>	<b>-8,916</b>	<b>12,540</b>	<b>0</b>	<b>0</b>

The actual return from plan assets was affected by the situation in the financial markets at the end of 2018.

### Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
<b>Cost</b>				
Service costs	-7,837	-7,218	-1,161	-1,681
Early retirement costs	274	234	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	271	0	156	1,469
<b>Net interest on net liabilities/(assets)</b>				
Interest expense on obligations	-3,391	-2,195	-660	-721
Interest income on plan assets	2,180	2,198	0	0
<b>Costs recognised in profit or loss</b>	<b>-8,503</b>	<b>-6,981</b>	<b>-1,665</b>	<b>-933</b>

### Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
Change in demographic assumptions	-889	-1,746	-75	897
Change in financial assumptions	6,220	-1,308	100	-475
Change from experience adjustments	-4,116	2,926	297	876
Effect of the asset ceiling	15,000	-15,000	0	0
Return on plan assets (excluding net interest income)	-11,096	10,342	0	0
<b>Actuarial losses (gains) recognised in other comprehensive income</b>	<b>5,119</b>	<b>-4,786</b>	<b>322</b>	<b>1,298</b>

### Allocation of obligation by type of participant to the plan

In thousands of €	2018	2017
Active plan participants	-223,262	-212,509
Non-active participants with deferred benefits	-9,452	-11,288
Retirees and beneficiaries	-28,879	-29,110
<b>Total</b>	<b>-261,593</b>	<b>-252,907</b>

### Allocation of obligation by type of benefit

In thousands of €	2018	2017
Retirement and death benefits	-217,988	-200,724
Other post-employment benefits (medical expenses and tariff reductions)	-31,947	-32,081
Seniority bonuses	-11,658	-20,102
<b>Total</b>	<b>-261,593</b>	<b>-252,907</b>

### Main actuarial assumptions used

	2018	2017
Discount rate between 10 to 12 years	1.27%	0.90 %
Discount rate between 13 to 19 years	1.70%	1.73 %
Discount rate over 19 years	1.72%	1.81 %
Expected average salary increase	2.05%	1.75 %
Expected inflation	1.75%	1.75 %
Expected increase in health expenses	2.75%	2.75 %
Expected increase of tariff advantages	1.75%	1.75 %
Average assumed retirement age	63(BAR)/65(CAD)	63(BAR)/65(CAD)
Mortality tables	Prospective IABE	Prospective IABE
Life expectancy in years:		
For a person aged 65 at the balance sheet date:		
- Male	20	20
- Female	24	24
For a person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

The discount rate used depends on their estimated average duration.



## The fair value of plan assets per major category

	2018	2017
<b>Listed investments</b>	<b>79.43%</b>	<b>80.81%</b>
Shares - eurozone	15.97%	15.65%
Shares - outside eurozone	20.61%	21.08%
Government bonds - eurozone	1.78%	4.91%
Other bonds - eurozone	27.08%	30.97%
Other bonds - outside eurozone	13.99%	8.20%
<b>Non-listed investments</b>	<b>20.57%</b>	<b>19.19%</b>
Insurance contracts	0.00%	0.00%
Real estate	2.75%	3.74%
Cash and cash equivalents	3.36%	0.96%
Other	14.46%	14.49%
<b>Total (in %)</b>	<b>100.00%</b>	<b>100.00 %</b>
<b>Total (in thousands of €)</b>	<b>206,393</b>	<b>215,969</b>

## Sensitivity analysis

Impact on obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.25%)	6,274
Average salary increase - Excluding inflation (0.1%)	-2,360
Increase in inflation rate (0.25%)	-5,069
Increase in healthcare benefits (0.1%)	-364
Increase in tariff benefits (0.5%)	-485
Increase in life expectancy of retirees (1 year)	-1,367

### Average weighted duration of obligations

	2018	2017
Average weighted duration of defined benefit obligations	10	11
Average weighted duration of other obligations	19	19

### Estimate of the contributions to be paid for the legal pensions

	In thousands of €
Expected contribution for the next financial year	<b>3,066</b>

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

## Note 5.15. Deferred tax assets and liabilities

Recognised deferred tax assets	In thousands of €	
	31-12-2018	31-12-2017
Recoverable tax losses	0	0
Other recoverable amounts	1,311	0
<b>Total</b>	<b>1,311</b>	<b>0</b>

The deferred tax assets arise from the first full consolidation of Gaz-Opale. They mainly relate to the accounting for provisions made in accordance with IAS 19 (employee benefits).

Recognised deferred tax liabilities	In thousands of €	
	31-12-2018	31-12-2017
Valuation of assets	872,796	504,055
Accrued income	867	1,376
Fair value of financial instruments	-198	262
Provisions for employee benefits or provisions not accepted under IFRS	30,102	29,977
Other normative differences	1,780	1,352
<b>Total</b>	<b>905,347</b>	<b>537,022</b>

Deferred tax assets and liabilities are offset within each taxable entity.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets. This difference comes essentially from the fair value accounting of property, plant and equipment and intangible assets within the scope of business combination transactions (IFRS 3). The increase in this component comes essentially from the first full consolidation of Dunkerque LNG and the provisional purchase price allocation (see Note 3.1.1).

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under local GAAP but not recognised under IFRS are another major source of deferred tax.

Finally, the valuation at fair value of financial instruments also generates deferred tax accounting. These instruments are primarily composed of instruments to hedge the interest rate risk and currency futures. Reference is made to the Note on financial instruments for more information on this subject.

Movement for the period		In thousands of €
	Notes	Deferred tax
<b>Total income tax expense deferred as at 31-12-2017</b>		<b>537,022</b>
Deferred tax expenses – Profit & loss account	4.7.2	-40,985
Deferred tax expenses – other comprehensive income		1,246
Translation adjustments		5,190
Other		568
Changes in the consolidation scope		400,995
<b>Total income tax expense deferred as at 31-12-2018</b>		<b>904,036</b>
Of which deferred tax assets		-1,311
Of which deferred tax liabilities		905,347

## Note 5.16. Trade and other liabilities

Trade and other liabilities	In thousands of €	
	31-12-2018	31-12-2017
Trade payables	114,999	70,177
Payroll and related items	35,876	32,828
Other payables	21,164	18,687
<b>Total</b>	<b>172,039</b>	<b>121,692</b>

Supplier debts included in 2018 an increase following the first consolidation of debts to suppliers of Dunkerque LNG and Gaz-Opale (see Note 3.1.1).

## Note 6. Financial instruments

### Principles for managing financial risks

In the course of conducting its activities, the Fluxys Group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and liabilities.

The Fluxys group policy as regards financial risk management is based on the principles of prudence and excludes seeking any speculative gain. It aims to cover, in the best possible way, the group's exposures to financial risk. All hedging strategies are put in place by way of a competitive process with a suitable number of counterparties based on the type of transaction and the value of the amount to be hedged.

The group's administrative organisation, controlling and financial reports ensure that these risks are constantly monitored and managed.

### Cash management policy

The Fluxys Group's cash is managed as part of a general policy that was approved by the Board of Directors.

The objective of this policy is to optimise the group's cash positions. Transactions are entered into at market terms and conditions.

If required, the group can borrow on a short- medium- or long-term basis to respond to its cash requirements.

Cash surpluses are largely allocated to the operational needs and to development projects of the Fluxys Group's companies. These investments are subject to constant monitoring and risk analysis on a case-by-case basis.

Cash surpluses other than those referred to above are kept either at first class financial institutions or invested in financial instruments issued by entities with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European Member State or whose share capital is predominantly controlled by state-owned entities. Cash surpluses are invested following a competitive bidding award, and in instruments that are sufficiently diversified to limit counterparty risk concentration.

At 31-12-2018, current and non-current investments, cash and cash equivalents amounted to €642,419 thousand compared to €509,456 thousand as at 31-12-2017. The repayment at the end of December by TAP of the shareholder loans granted pending the external financing explains the temporarily high level of investments, cash and cash equivalents as at 31-12-2018.

### **Credit and counterparty risks**

The group systematically assesses its counterparties' financial capacity and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submits potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information sources, such as official analysis performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score. The group also uses databases containing general, financial

and market information to complement its own evaluation of potential customers and suppliers.

In addition, for most of its activities the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration of customers.

As regards the concentration risk, it must be noted that three clients contribute 25%, 13% and 13% to the operating revenue. The breakdown of these by activity amounts to €401 million in transmission, €28 million in storage and €123 million in terminalling.

### **Foreign exchange risk**

The currency used by the group is the euro.

Because of its international activity, the Fluxys group is exposed to foreign exchange risk. Group policy requires that all positions in currencies, considered safe, have to be hedged with an appropriate instrument. Foreign exchange exposures linked to net foreign investments may be hedged either by directly borrowing in foreign currencies and establishing a repayment schedule based on the income expected in foreign currency, or by buying the acquisition price amount in foreign currency and simultaneously selling it on maturity with a payment schedule based on the estimated income flows from the acquisition plan. In establishing its hedging strategy, the group ensures it uses 'plain vanilla' liquid instruments with sound counterparties.

The group is exposed to CHF/EUR currency fluctuation risks primarily because of its stake in FluxSwiss (capital invested, group share €255.4 million). This net investment in a Swiss business has been hedged through currency forward contracts. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity.

Intragroup loans to our subsidiaries in Switzerland and the UK are covered either through cross currency interest rate swaps or currency forward contracts. These instruments are a natural hedge for the risk incurred by the group with regard to CHF/EUR and GBP/EUR currency fluctuations. The variation in value of these latter instruments is accounted for in the profit/loss for the period.

The group is also exposed to USD/EUR currency fluctuation risks primarily because of its stake in LNG Link Investment AS and Mahon Shipping (capital invested, group share €3.5 million). This net investment in a USD business has been hedged through currency forward contracts. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity.

The group was exposed to SEK/EUR currency fluctuation risks because of its holding in Swedegas until the sale of the stake in November 2018. The effects of the currency forward contracts were compensated by new contracts, definitively ending the group's exposure to SEK/EUR risks. These contracts appear in the balance sheet at their market value. The variations in value of these contracts are expected to neutralise.

The fair value of these instruments is detailed in Notes 6.3 and 6.4. The maturity of these investments is between 2019 and 2026.

In 2018, the Fluxys Group has not recognised any hedge ineffectiveness.

### **Sensitivity analysis**

Outside hedging instruments, a 10% variation in the CHF exchange rate would have an impact in 2018 of €22.1 million on equity whilst a 10% variation in the GBP exchange rate would have an impact of €19.1 million on equity attributable to the shareholders of the parent company. This impact is determined based on the net assets of the companies concerned on the balance sheet date.



### Interest rate risk

As a general rule, given that the group's assets are long-term, loan contracts are, as long as the market permits, for a term close to the estimated economic life of the assets concerned.

These loans may be fixed rate or variable.

The Fluxys group manages its interest rate risk based on an in-depth assessment of its assets and liabilities. The variable-rate debts are only maintained if they are covered by assets subject to a comparable risk.

The other variable-rate debts are hedged using suitable financial instruments that can either convert the variable rates into fixed rates, or provide a cap for the variable interest rates. In establishing its hedging strategy, the group ensures it uses 'plain vanilla' liquid instruments with sound counterparties.

The group's debt is €3,701,020 thousand as at 31-12-2018 compared with €3,361,139 thousand as at 31-12-2017. It mainly consists of loans which mature between 2019 and 2045 (see Note 5.12).

Loans taken out by FluxSwiss and Transitgas (for €252.1 million) as well as part of the TENP KG loans (for €88.3 million) are financed with variable rates over the short term.

In order to manage this risk exposure, the companies have caps and interest rate swap contracts destined to exchange this variable rate for a fixed rate. These financial instruments are qualified as hedging instruments. The variation in value of these latter has a direct impact on equity insofar as it concerns the effective part of the hedge.

The fair value of these instruments is detailed in Notes 6.3 and 6.4. The maturity of these investments is between 2019 and 2024.

In 2018, the Fluxus Group has not recognised any hedge ineffectiveness.

In 2017, FluxSwiss and Transitgas proceeded to renegotiate their loans. The effects of this renegotiation affected the results for the period whilst the interest costs for the period were determined based on the initial interest rate for these loans. These companies on the same occasion, proceeded to unwind the cash-flow hedging instruments, these interest-rate swaps on longer being entirely effective in a negative interest rate environment. The cost of the unwinding of the interest rate swaps is progressively transferred into the financial results. The balance to be transferred into the results comes to €7,720 thousand as at the end of December 2018.

In addition, the group's interest-bearing liabilities include liabilities to be used within the regulatory framework. These latter bear interest. The group does not incur any interest rate risks related to this.

### **Sensitivity analysis**

Outside hedging instruments, a variation of 100 base points in interest rates on financing would have an impact on financial results in 2018 of €1.5 million compared with €1.6 million for FluxSwiss in the previous year; of €0.8 million compared with €1.5 million for Transitgas, of €8 million in 2018 for Dunkerque and of €0.7 million for the two years in TENP KG.

### **Liquidity Risk**

Liquidity risk management is one of Fluxys group's main objectives. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

The Fluxys group has entered into financing arrangements that include contractual clauses (financial covenants) which the group fulfilled as at 31-12-2018. These contractual clauses provided for ratios to be adhered to of the type 'Net Finance Charges to EBITDA ratio', 'Net Debt to EBITDA ratio' and 'Bond and other loan to EBITDA ratio' (see Note 7.8).

The maturity of interest-bearing liabilities is reported in Note 5.12.

### **Cash facilities**

The group has cash facilities for an amount of €512.5 million as at 31-12-2018, compared to €612 million as at 31-12-2017.

## 6.1 Summary of financial instruments at balance sheet date

In thousands of €

31-12-2018	Category	Book value	Fair value	Level
<b>I. Non-current assets</b>				
Other financial assets at amortized cost	A	78,662	78,856	1&2
Other financial assets at fair value through profit or loss	B*	4,625	4,625	2
Other financial assets at fair value through other comprehensive income	C*	5,708	5,708	2
Other receivables	A	109,276	120,723	2
<b>II. Current assets</b>				
Other financial assets at fair value through profit or loss	B*	1,311	1,311	2
Other financial assets at fair value through other comprehensive income	C*	29	29	2
Trade and other receivables	A	196,306	196,306	2
Cash investments	A	270,215	270,215	1 & 2
Cash and cash equivalents	A	296,558	296,558	1 & 2
<b>Total financial instruments – assets</b>		<b>962,690</b>	<b>974,331</b>	
<b>I. Non-current liabilities</b>				
Interest-bearing liabilities	A	3,330,377	3,341,209	2
Other financial assets at fair value through profit or loss	B*	4,462	4,462	2
Other financial assets at fair value through other comprehensive income	C*	1,273	1,273	2
<b>II. Current liabilities</b>				
Interest-bearing liabilities	A	370,643	370,643	2
Other financial assets at fair value through profit or loss	B*	0	0	2
Other financial assets at fair value through other comprehensive income	C*	993	993	2
Trade and other payables	A	172,039	172,039	2
<b>Total financial instruments - liabilities</b>		<b>3,879,787</b>	<b>3,890,619</b>	

\* The detail of these financial instruments is provided in Table 6.3

**The categories correspond to the following financial instruments:**

- A. Assets or liabilities at amortized cost.
- B. Assets or liabilities at fair value through profit or loss
- C. Assets or liabilities at fair value through other comprehensive income

6.2 Summary of financial instruments at balance sheet date			In thousands of €		
31-12-2017	Category	Book value	Fair value	Level	
<b>I. Non-current assets</b>					
Other financial assets at amortized cost	A	3,030	3,030	2	
Other financial assets at fair value through profit or loss	B**	81,092	81,092	1 & 2	
Other financial assets at fair value through other comprehensive income	C**	9,801	9,801	2	
Other receivables	A	468,264	484,897	2	
<b>II. Current assets</b>					
Other financial assets at fair value through profit or loss	B**	3,208	3,208	2	
Other financial assets at fair value through other comprehensive income	C**	880	880	2	
Trade and other receivables	A	210,073	210,073	2	
Cash investments	A	162,696	162,696	1 & 2	
Cash and cash equivalents	A	265,668	265,668	1 & 2	
<b>Total financial instruments – assets</b>		<b>1,204,712</b>	<b>1,221,345</b>		
<b>I. Non-current liabilities</b>					
Interest-bearing liabilities	A	2,723,882	2,788,978	2	
Other financial assets at fair value through profit or loss	B**	263	263	2	
Other financial assets at fair value through other comprehensive income	C**	1,743	1,743	2	
<b>II. Current liabilities</b>					
Interest-bearing liabilities	A	637,257	629,594	2	
Trade and other payables	A	121,692	121,692	2	
<b>Total financial instruments - liabilities</b>		<b>3,484,837</b>	<b>3,542,270</b>		

\*\* The detail of these financial instruments is provided in Table 6.4

### 6.3 Summary of derivate instruments at balance sheet date

In thousands of €

31-12-2018	Qualification	Notional amounts covered	Carrying amount of the hedging instruments		Notes
			Assets (in K€)	Liabilities (in K€)	
		(in K)			
<b>I. Non-current assets and liabilities</b>			<b>10,333</b>	<b>5,735</b>	<b>5.5 &amp; 6</b>
<b>A. Net investment hedge</b>			<b>4,338</b>	<b>0</b>	<b>5.5 &amp; 6</b>
<b>CHF</b>	hedging instruments	CHF 102,430	4,338	0	5.5 & 6
One to five years		CHF 60,078	1,735	0	
More than five years		CHF 42,352	2,603	0	
<b>B. Cash Flow Hedge</b>			<b>1,370</b>	<b>1,273</b>	<b>5.5 &amp; 6</b>
<b>IRS</b>	hedging instruments	EUR 8,031	0	106	6
One to five years		EUR 0	0	0	
More than five years		EUR 8,031	0	106	
<b>CAP</b>	hedging instruments	CHF 293,700	1,370	1,167	5.5 & 6
One to five years		CHF 0	0	0	
More than five years		CHF 293,700	1,370	1,167	
<b>C. Natural Hedge</b>			<b>2,636</b>	<b>2,473</b>	<b>5.5 &amp; 6</b>
<b>CCIRS</b>	Not designated as hedging instruments	CHF 46,835	0	2,473	6
One to five years		CHF 0	0	0	
More than five years		CHF 46,835	0	2,473	
<b>SEK</b>	Not designated as hedging instruments	SEK 0	382	0	5.5 & 6
More than five years		SEK 60,973	246	0	
More than five years		-SEK 60,973	136	0	

### 6.3 Summary of derivate instruments at balance sheet date

In thousands of €

31-12-2018	Qualification	Notional amounts covered	Carrying amount of the hedging instruments		Notes
			Assets (in K€)	Liabilities (in K€)	
		(in K)			
<b>SEK</b>	Not designated as hedging instruments	SEK 0	2,254	0	5.5 & 6
One to five years		SEK 36,561	436	0	
One to five years		-SEK 36,561	1,818	0	
<b><u>D. Other financial instruments</u></b>	Not designated as hedging instruments		<b>1,989</b>	<b>1,989</b>	<b>5.5 &amp; 6</b>
One to five years			1,989	1,989	
More than five years			0	0	
<b>II. Current assets and liabilities</b>			<b>1,340</b>	<b>993</b>	<b>5.5 &amp; 6</b>
<b><u>A. Net Investment Hedge</u></b>			<b>29</b>	<b>132</b>	<b>5.5 &amp; 6</b>
USD	hedging instruments	USD 3,305	0	132	6
CHF	hedging instruments	CHF 10,440	29	0	5.5 & 6
<b><u>B. Cash Flow Hedge</u></b>			<b>0</b>	<b>861</b>	<b>6</b>
IRS	hedging instruments	EUR 80,313	0	861	6
CAP	hedging instruments	CHF 0	0	0	6
<b><u>C. Natural Hedge</u></b>			<b>1,311</b>	<b>0</b>	<b>5.5 &amp; 6</b>
GBP	Not designated as hedging instruments	GBP 45,039	373	0	5.5 & 6
SEK	Not designated as hedging instruments	SEK 69,942	586	0	5.5 & 6
SEK	Not designated as hedging instruments	-SEK 69,942	352	0	5.5 & 6

#### 6.4 Summary of derivate instruments at balance sheet date

In thousands of €

31-12-2017	Qualification	Notional amounts covered	Carrying amount of the hedging instruments		Notes
			Assets (in K€)	Liabilities (in K€)	
		(en K)			
<b>I. Non-current assets and liabilities</b>			<b>9,801</b>	<b>2,006</b>	<b>5.5 &amp; 6</b>
<b>A. Net investment hedge</b>			<b>8,451</b>	<b>69</b>	<b>5.5 &amp; 6</b>
<b>SEK</b>	hedging instruments	SEK 515,252	1,028	69	5.5 & 6
One to five years		SEK 389,027	1,028	0	
More than five years		SEK 126,225	0	69	
<b>CHF</b>	hedging instruments	CHF 112,870	7,423	0	5.5 & 6
One to five years		CHF 54,500	2,698	0	
More than five years		CHF 58,370	4,725	0	
<b>B. Cash Flow Hedge</b>			<b>1,350</b>	<b>1,674</b>	<b>5.5 &amp; 6</b>
<b>IRS</b>	hedging instruments	EUR 72,281	3	1,579	5.5 & 6
One to five years		EUR 64,250	0	1,579	
More than five years		EUR 8,031	3	0	
<b>IRS</b>	hedging instruments	GBP 34,956	0	95	6
One to five years		GBP 0	0	0	
More than five years		GBP 34,956	0	95	
<b>CAP</b>	hedging instruments	CHF 375,912	1,347	0	5.5 & 6
One to five years		CHF 0	0	0	
More than five years		CHF 375,912	1,347	0	
<b>C. Natural Hedge</b>			<b>0</b>	<b>263</b>	<b>6</b>
<b>CCIRS</b>	Not designated as hedging instruments	CHF 52,345	0	263	6
One to five years		CHF 0	0	0	
More than five years		CHF 52,345	0	263	



#### 6.4 Summary of derivate instruments at balance sheet date

In thousands of €

31-12-2017	Qualification	Notional amounts covered	Carrying amount of the hedging instruments		Notes
			Assets (in K€)	Liabilities (in K€)	
<b>II. Current assest and liabilities</b>			<b>4,088</b>	<b>0</b>	<b>5.5 &amp; 6</b>
<b>A. Net Investment Hedge</b>			<b>880</b>	<b>0</b>	<b>5.5 &amp; 6</b>
SEK	hedging instruments	SEK 206,549	358	0	5.5 & 6
USD	hedging instruments	USD 3,305	337	0	5.5 & 6
CHF	hedging instruments	CHF 7,991	185	0	5.5 & 6
<b>C. Natural Hedge</b>			<b>3,208</b>	<b>0</b>	<b>5.5 &amp; 6</b>
GBP	Not designated as hedging instruments	GBP 26,425	3,208	0	5.5 & 6

All of the group's financial instruments fall within Levels 1 and 2 of the fair value hierarchy. Their fair value is measured on a recurring basis.

Level 1 of the fair value hierarchy includes short-term investments and cash equivalents whose fair value is based on quoted prices. They consist mainly of bonds.

Level 2 of the fair value hierarchy includes other financial assets and liabilities whose fair value is based on other inputs that are observable for the asset or liability, either directly or indirectly.

The techniques for measuring the fair value of Level 2 financial instruments are as follows:

- The items 'Interest-bearing liabilities' include the fixed-rate bonds whose fair value is determined based on active market rates, usually provided by financial institutions.
- The items 'Other financial assets' and 'Other financial liabilities' include derivative instruments whose fair value is determined based on active market rates, usually provided by financial institutions.
- The fair value of other financial assets and liabilities categorised under level 2 is largely identical to their book value:
  - either because they have a short-term maturity (such as trade receivables and payables), or
  - because they bear interest at the market rate at the closing date of the financial statements.

## **Note 7. Contingent assets and liabilities – rights and liabilities of the group**

### **7.1. Litigation**

#### **Litigation regarding the oil business**

Pursuant to an agreement signed on 9 November 1979, the Belgian State commissioned Fluxys Belgium SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys Belgium SA accepted this assignment provided that the Belgian State covered the costs, losses and all risks inherent to this assignment.

As part of the decision to discontinue the oil business, appeals were lodged against the Belgian State and Fluxys Belgium SA.

The risk incurred by Fluxys Belgium SA is covered by a guarantee from the Belgian State (Royal Decree of 3 February 1981 - Belgian Official Gazette of 17 February 1981) pursuant to the agreement of 9 November 1979 between the Belgian State and Fluxys Belgium SA and the letter of 30 December 1983 from the Ministers for Finance and Economic Affairs.

### Other litigation

- Ghislenghien: As announced in 2011, Fluxys Belgium has undertaken, in agreement with insurers and other responsible parties, to proceed to the final compensation of private victims of the accident which occurred at Ghislenghien in 2004. Although most of the victims were compensated in 2012, some cases are still open. Fluxys Belgium conducts an evaluation of these cases as they evolve. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2018.
- Claim relating to the 'Open Rack Vaporiser' investment: A compensation claim for additional works was introduced by a supplier in the scope of the investment 'Open Rack Vaporiser' made by Fluxys LNG. The latter disputes this claim and an expert was appointed to assess the case. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2018.
- Other claims: Other claims arising from the operation of our facilities are in progress but their potential impact is immaterial.

### 7.2. Assets and items held for third parties, in their name, but at the risk and for the benefit of entities included in the consolidation scope

In the ordinary course of business, the group holds gas belonging to its customers at its storage sites in Loenhout, in the pipelines and in the tanks at the LNG terminals in Zeebrugge and Dunkirk.

### 7.3. Guarantees received

Bank securities for the benefit of the group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers. Expected credit losses on guarantees received are not very material for the Fluxys group.

#### 7.4. Guarantees provided by third parties on behalf of the entity

Rental guarantees have been issued in favour of owners of assets leased by the group.

Other guarantees have been issued in Belgium for an amount of €237 thousand as at 31-12-2018.

#### 7.5. Long-term leases and other availability agreements

The Fluxys Belgium group has leases lasting more than one year as well as rights of use of sites from third parties on which group facilities are built.

##### Non-discounted liabilities as at the closing date (in thousands of €)

	Duration	Up to 1 year	Between 2 and 5 years	Over 5 years	Total
Dunkerque LNG Terminal site	2019-2061	2,226	8,905	82,926	94,057
Zeebrugge LNG Terminal site	2019-2031	2,428	9,710	14,892	27,030
Other sites	2019-2059	637	2,546	11,231	14,414
Leased technical facilities	2019-2028	890	3,463	1,727	6,080
Leased office and storage spaces over one year	2019-2028	1,137	2,390	1,597	5,124
Computer hardware	2019-2021	451	207	0	658
Vehicles	2019-2024	1,604	3,333	43	4,980
		9,328	30,379	112,416	152,343

### **7.6. Commitments as part of the leases for Transitgas, Tenp and Interconnector (UK)**

As part of the leases for Transitgas and TENP, FluxSwiss and Fluxys TENP have committed to pay royalties dues for the provision of 90% and 64.25% respectively of the capacity of these facilities. The end date of these leases is 2021, with the option to extend.

Interconnector (UK) has committed, as part of a lease entered into with FL Zeebrugge, to pay for the provision of the facilities. This lease requires maintenance of a minimum cash level in Interconnector (UK), a clause which was adhered to as at 31-12-2018. The maturity of this lease is in 2025.

### **7.7. Commitments under terminalling service contracts**

The Capacity Subscription Agreements (CSA) entered into with the terminal users of the Zeebrugge LNG terminal provide for 829 slots to be available from 2019 to 2027. In addition, Yamal Trade (a 100% subsidiary of Yamal LNG) and Fluxys LNG signed a 20-year contract for the transshipment of a maximum of 8 million tonnes of LNG per year at the port of Zeebrugge in Belgium.

Dunkerque LNG has received, as at 27 June 2011, subscription commitments that enable Total Gas and Power Limited to reserve 2.083 Gm<sup>3</sup>/year from Dunkerque LNG until 2019, and then 1.583 Gm<sup>3</sup>/year in storage and regasification capacities, and EDF to reserve capacities up to 7.917 Gm<sup>3</sup>/year. These commitments were contracted on the basis of a term of twenty years, which corresponds with the term of exemption of third-party access to the terminal under the conditions defined by the Ministerial Decree of 18 February 2010.

## 7.8. Commitments in relation to loans and commitments to the European Investment Bank (EIB)

The Fluxys Belgium group was granted loans by the European Investment Bank (EIB) of a total of €306 million, which contain contractual clauses (financial covenants), fulfilled by the group as at 31-12-2018. These contractual clauses provided for ratios to be adhered to of the type 'Net Finance Charges to EBITDA ratio', and 'Bond and other loan to EBITDA ratio' (see Notes 5.12.2 and 5.12.3). Like bonds, these loans also contain a pari passu clause.

Dunkerque LNG obtained a variable-rate bank loan for €800 million, repayable in 2022. This loan provides for a contractual clause (financial covenant) of 'Net Debt to EBITDA ratio', a clause fulfilled by the group as at 31-12-2018.

External financing was granted to TAP from December 2018. Shareholders provide a full guarantee during the construction period and a limited guarantee for non-payment by the shippers once the work has been completed and in the event of an unforeseen circumstance. Fluxys' share of the guarantee represents 20% of the amount drawn, which was €537.5 million on December 31, 2018. The expected credit losses on the guarantees given are immaterial for the Fluxys Group.

Finally, certain guarantees have been issued as part of financing agreements. They are primarily in the form of guarantees on revenue generated by the activity concerned, on trade receivables and on shares held.

### 7.9. Commitments with regard to projects under construction

The Fluxys group has a stake in TAP. The group progressively provides the equity necessary for financing this investment under construction (€212.7 million already invested). The Fluxys group will also finance the investments provided for in the EUGAL project. Our total stake is estimated at €320.0 million, more than half of which has already been invested in 31-12-2018.

### 7.10. Other given or received commitments

Other commitments have been made and received by the Fluxys group, but their potential impact is immaterial.

## Note 8. Related parties

The Fluxys group is controlled by Publigas.

In 2018, the Fluxys group executed joint operation transactions with Tenp KG and Transitgas and with associates, i.e.

- TAP,
- Balansys,
- Rostock LNG,
- Dunkerque LNG and Gaz-Opale until the end of October 2018, the date of the acquisition of a controlling interest in these companies by the group, and
- Swedegas Holding until the sale of the company in November 2018.

Other related parties include transactions with Publigas (financing), SFPI (financing) and FluxSwiss shareholders as well as relations with administrators and members of the management team, the latter being tasked the management of the company and decisions on investments.

31-12-2018

	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>I. Assets with related parties</b>	<b>75</b>	<b>0</b>	<b>9,594</b>	<b>0</b>	<b>9,669</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>0</b>	<b>9,175</b>	<b>0</b>	<b>9,175</b>
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	9,175	0	9,175
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Finance leases	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0
<b>3. Trade and other receivables</b>	<b>75</b>	<b>0</b>	<b>419</b>	<b>0</b>	<b>494</b>
3.1. Clients	0	0	419	0	419
3.2. Finance leases	0	0	0	0	0
3.3. Other receivables	75	0	0	0	75
<b>4. Cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Liabilities with related parties</b>	<b>45,000</b>	<b>45,789</b>	<b>0</b>	<b>33,528</b>	<b>124,589</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>45,000</b>	<b>45,789</b>	<b>0</b>	<b>33,528</b>	<b>124,317</b>
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	45,000	45,789	0	33,528	124,317
<b>2. Trade and other payables</b>	<b>0</b>	<b>0</b>	<b>272</b>	<b>0</b>	<b>272</b>
2.1. Trade payables	0	0	272	0	272
2.2. Other payables	0	0	0	0	0
<b>3. Other current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Related parties**

In thousands of €

	31-12-2017				
	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>I. Assets with related parties</b>	<b>44</b>	<b>564</b>	<b>358,118</b>	<b>0</b>	<b>358,726</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>0</b>	<b>357,586</b>	<b>0</b>	<b>357,586</b>
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	357,586	0	357,586
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Finance leases	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0
<b>3. Trade and other receivables</b>	<b>44</b>	<b>564</b>	<b>532</b>	<b>0</b>	<b>1,140</b>
3.1. Clients	0	564	532	0	1,096
3.2. Finance leases	0	0	0	0	0
3.3. Other receivables	44	0	0	0	44
<b>4. Cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Liabilities with related parties</b>	<b>45,000</b>	<b>56,088</b>	<b>7,655</b>	<b>32,287</b>	<b>141,030</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>45,000</b>	<b>55,461</b>	<b>0</b>	<b>32,287</b>	<b>132,748</b>
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	45,000	55,461	0	32,287	132,748
<b>2. Trade and other payables</b>	<b>0</b>	<b>627</b>	<b>7,655</b>	<b>0</b>	<b>8,282</b>
2.1. Trade payables	0	627	0	0	627
2.2. Other payables	0	0	7,655	0	7,655
<b>3. Other current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Related parties**

In thousands of €

31-12-2018					
	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>III. Transactions with related parties</b>					
1. Sale of non-current assets	0	0	0	0	0
2. Purchase of non-current assets ( - )	0	0	0	0	0
3. Services rendered and goods delivered	0	0	2,641	0	2,641
4. Services received ( - )	0	0	0	0	0
5. Net financial income	-800	-1,601	6,065	-1,826	1,838
6. Directors' and senior executives' remuneration				2,892	2,892
of which short-term employee benefits				2,492	2,492
of which post-employment benefits				400	400

**Related parties**

In thousands of €

31-12-2017					
	Parent company shareholders	Joint arrangements	Associates	Other related parties	Total
<b>III. Transactions with related parties</b>					
1. Sale of non-current assets	0	0	0	0	0
2. Purchase of non-current assets ( - )	0	0	0	0	0
3. Services rendered and goods delivered	0	700	1,845	0	2,545
4. Services received ( - )	0	0	0	0	0
5. Net financial income	-441	-1,260	5,053	-1,900	1,452
6. Directors' and senior executives' remuneration				2,765	2,765
of which short-term employee benefits				2,383	2,383
of which post-employment benefits				382	382

## **Note 9. Directors' and senior executives' remuneration**

Pursuant to Article 14 of the Articles of Association, the Board of Directors of Fluxys SA comprises no more than 12 members, who can be natural persons or legal entities, shareholders or not, and appointed for six years as a maximum by the General Meeting of Shareholders.

The Fluxys Group has not granted any loans to administrators and the administrators have moreover not executed any unusual transactions with the group.

Reference is made to Note 8 for more information on this subject.

## **Note 10. Events after the balance sheet date**

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

## 13. STATUTORY AUDITOR'S REPORT AND DECLARATION BY RESPONSIBLE PERSONS

### Statutory auditor's report to the General Meeting of Fluxys NV/SA on the consolidated financial statements for the year ended 31 December 2018

In the context of the statutory audit of the consolidated financial statements of Fluxys NV/SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 10 May 2016, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Fluxys NV/SA for 9 consecutive periods.

#### Report on the consolidated financial statements

##### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the the consolidated balance sheet as at 31 December 2018, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 8 591 732 (000) EUR and the consolidated income statement shows a profit for the year then ended of 447 217 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### **Basis for the unqualified opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

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

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

#### **Emphasis of matters**

We draw attention to Note 1C Judgements and use of estimates and Note 4.3.5.1 Depreciations to the consolidated financial statements in which the judgements and uncertainties regarding the valuation and the depreciation pattern of the Interconnector (UK) pipeline are disclosed.

In accordance with IFRS 3 Business Combinations, Fluxys NV/SA should recognise the identifiable assets acquired and the liabilities assumed following the acquisition of Dunkerque LNG Holding as of 30 October 2018, including the deferred tax liabilities thereon. As explained in note 3.1.1 Acquisitions of the financial statements, we draw your attention to the fact that the initial accounting for the business combination is incomplete by the end of the reporting period. As foreseen in IFRS 3.45, Fluxys has therefore reported

in its financial statements provisional amounts for the items for which the accounting is incomplete.

Our opinion is not qualified in respect of these matters.

### **Responsibilities of the board of directors for the preparation of the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

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

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

and performance of the group audit. We remain solely responsible for our audit opinion.

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

### **Other legal and regulatory requirements**

#### **Responsibilities of the board of directors**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

#### **Responsibilities of the statutory auditor**

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, as well as to report on this matter.



### **Aspects regarding the directors' report on the consolidated financial statements**

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

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

### **Statements regarding independence**

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

Antwerp, 23 April 2019

**The statutory auditor**

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**Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL**

Represented by Jurgen Kesselaers

## Declaration by responsible persons

### Declaration regarding the financial year ended 31 December 2018

I, Pascal De Buck, Managing Director and CEO, hereby attest that to my knowledge:

- Fluxys' financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit and those of the companies included in the consolidation scope;
- the annual report gives a true and fair view of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 27 March 2019

Pascal De Buck  
Managing Director and CEO

## 13. STATUTORY ACCOUNTS OF FLUXYS AS PER BELGIAN STANDARDS

Given that Fluxys SA is essentially a holding company, holding the stakes at their book value, the unconsolidated annual accounts only give a limited view of the company's financial situation. As a result, the Board of Directors considered it appropriate to, in application of Article 105 of the Companies Code, to only publish an abridged version of the unconsolidated annual accounts as at 31 December 2018.

The statutory auditor has issued a report with an unqualified audit opinion on the statutory annual accounts of Fluxys SA.

These documents have been filed with the National Bank of Belgium.

They are available free of charge upon request at the following address:

Fluxys SA.

Communication Department

Avenue des Arts 31, 1040 Brussels

## 1. Balance sheet

Assets	In thousands of €	
	31-12-2018	31-12-2017
<b>Formation expenses</b>	<b>1,311</b>	<b>1,218</b>
<b>Fixed assets</b>	<b>1,691,177</b>	<b>1,691,255</b>
Intangible assets	0	0
Property, plant and equipment	368	459
Financial fixed assets	1,690,809	1,690,796
<b>Current assets</b>	<b>1,790,909</b>	<b>1,863,884</b>
Amounts receivable after more than one year	1,087,819	1,242,753
Stock and contracts in progress	0	0
Amounts receivable within one year	381,685	358,753
Cash investments	213,391	170,382
Cash at bank and in hand	92,290	77,539
Deferred charges and accrued income	15,724	14,457
<b>Total</b>	<b>3,483,397</b>	<b>3,556,357</b>

<b>Equity and liabilities</b>	In thousands of €	
	<b>31-12-2018</b>	<b>31-12-2017</b>
<b>Equity</b>	<b>1,875,738</b>	<b>1,867,176</b>
Capital	1,704,019	1,701,617
Share premium account	81,452	81,164
Revaluation surpluses	0	0
Reserves	61,420	54,179
Accumulated profits (losses)	28,754	30,106
Capital subsidies	93	110
<b>Provisions and deferred taxes</b>	<b>88</b>	<b>144</b>
Provisions for liabilities and charges	55	105
Deferred tax	33	39
<b>Amounts payable</b>	<b>1,607,571</b>	<b>1,689,037</b>
Amounts payable after more than one year	623,519	770,948
Amounts payable within one year	961,489	902,854
Accrued charges and deferred income	22,563	15,235
<b>Total</b>	<b>3,483,397</b>	<b>3,556,357</b>

## 2. Income statement

Income statement	In thousands of €	
	31-12-2018	31-12-2017
Operating income	18,266	12,613
Operating charges	30,852	17,578
<b>Operating profit</b>	<b>-12,586</b>	<b>-4,965</b>
Financial income	177,216	113,533
Finance costs	17,615	22,107
<b>Net financial income</b>	<b>159,601</b>	<b>91,426</b>
<b>Earnings before taxes</b>	<b>147,015</b>	<b>86,461</b>
<b>Transfer from deferred taxes</b>	<b>6</b>	<b>9</b>
<b>Income tax expenses</b>	<b>2,203</b>	<b>3,242</b>
<b>Net profit/loss for the period</b>	<b>144,818</b>	<b>83,228</b>
<b>Transfer to untaxed reserves</b>	<b>0</b>	<b>0</b>
<b>Profit for the period available for appropriation</b>	<b>144,818</b>	<b>83,228</b>

Fluxys SA and Fluxys Finance have merged in 2017. This operation has generated a profit accounted for (merger goodwill) of €4,679 thousand in the item 'Operating income'.

The net profit/loss of Fluxys is 144,818 k€ thousand compared to €83,228 thousand the previous year.

The profit/loss for the financial year mainly consists of the dividends paid by Fluxys Belgium and Fluxys Europe. This latter had not distributed any dividends in 2017, which explains the lower level of Fluxys' income in 2017.

### 3. Appropriation account

Appropriation account	In thousands of €	
	31-12-2018	31-12-2017
<b>Profit to be appropriated</b>	<b>174,924</b>	<b>173,107</b>
Profit for the period available for appropriation	144,818	83,228
Profit carried forward from the previous period	30,106	89,879
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>
From reserves	0	0
<b>Transfer to equity</b>	<b>7,241</b>	<b>4,162</b>
To the legal reserve	7,241	4,162
To the other reserves	0	0
<b>Result to be carried forward</b>	<b>28,754</b>	<b>30,106</b>
Profit to be carried forward	28,754	30,106
<b>Profit to be distributed</b>	<b>138,929</b>	<b>138,839</b>
Dividends	138,929	138,839

## 4. Capital at the end of the period

Capital at the end of the period		In thousands of €	
		31-12-2018	
<b>Subscribed capital</b>			
At the end of the previous period		1,736,339	
At the end of the period		1,738,741	
<b>Capital represented by</b>			
Registered shares		86,937,066	
Dematerialised shares		0	
Bearer shares		0	
<b>Structure of shareholders</b>			
Shareholders	Type	Number of voting right declared	%
Publigas	Shares without nominal value	67,417,670	77.54 %
Caisse de dépôt et placement du Québec	Shares without nominal value	17,305,412	19.91 %
Federal Holding and Investment Company	Shares without nominal value	1,851,852	2.13 %
Members of staff and management	Shares without nominal value	362,132	0.42 %



## 5. Income taxes

Income taxes	In thousands of €
	<b>31-12-2018</b>
<b>Breakdown of heading 670/3</b>	
<b>Income taxes on the result of the current period</b>	<b>2,699</b>
Taxes and withholding taxes due or paid	3,502
Excess of income tax prepayments	-803
Estimated additional taxes	0
<b>Income taxes on previous periods</b>	<b>0</b>
Additional taxes due or paid	0
Additional taxes (estimated or provided for)	0
<b>Reconciliation between profit before taxes and estimated taxable profit</b>	
<b>Profit before taxes</b>	<b>147,015</b>
<b>Permanent differences:</b>	<b>-137,890</b>
Definitively taxed income	-138,096
Non-deductible expenses	200
Notional interest	0
Transfer from deferred taxes	6
<b>Total</b>	<b>9,125</b>

## 6. Workforce

### 6.1. Headcount

#### A. Employees recorded in the personnel register

1a During the current period			
	Total	Men	Women
<b>Average number of employees</b>			
Full time	43.4	30.1	13.3
Part-time	10.8	6.8	4.0
Total in full-time equivalents (FTE)	47.4	32.4	15.0
<b>Numbers of hours actually worked</b>			
Full time	67,460	47,637	19,823
Part-time	6,672	3,697	2,975
Total	74,132	51,334	22,798
<b>Employee expenses</b>			
Full time	6,465,415 €	4,859,364 €	1,606,051 €
Part-time	1,424,320 €	997,186 €	427,134 €
Total	7,889,735 €	5,856,550 €	2,033,185 €
<b>Advantages in addition to wages</b>	<b>37,812€</b>	<b>28,068€</b>	<b>9,744€</b>
<b>1b. During the previous period</b>			
	Total	Men	Women
Average number of employees (FTE)	41.6	28.0	13.6
Numbers of hours actually worked	65,640	45,298	20,342
Employee expenses	6,798,426 €	5,049,191 €	1,749,235 €
Advantages in addition to wages	22,731 €	15,421 €	7,310 €

## 2. At the closing of the period

	Full time	Part-time	Total FTE*
<b>a.</b> Employees recorded in the personnel register	46	12	51.1
<b>b.</b> By nature of the employment contract			
Contract for an indefinite period	45	12	50.1
Contract for a definite period	1	0	1.0
Contract for execution of a specifically assigned work	0	0	0.0
Replacement contract	0	0	0.0
<b>c.</b> According to gender and study level			
Men	32	8	35.3
Primary education	0	0	0.0
Secondary education	1	0	1.0
Higher non-university education	3	0	3.0
University education	28	8	31.3
Women	14	4	15.8
Primary education	0	0	0.0
Secondary education	0	0	0.0
Higher non-university education	3	3	4.5
University education	11	1	11.3
<b>d.</b> By professional category			
Management	38	10	41.8
Employees	8	2	9.3
Workers	0	0	0.0
Other	0	0	0.0

\*full-time equivalent

## B.Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Personnel placed at the enterprise's disposal
Average number of persons employed	1.2	0,0
Numbers of hours actually worked	2,431	0,0
Costs for the enterprise	109,272 €	0,0 €

## 6.2. Table of movements in personnel during the period

	Full time	Part-time	Total FTE*
<b>Entries</b>			
a. Employees recorded in the personnel register	10	2	11.4
b. By nature of the employment contract			
Contract for an indefinite period	10	2	11.4
Contract for a definite period	0	0	0.0
Contract for execution of a specifically assigned work	0	0	0.0
Replacement contract	0	0	0.0
<b>Exits</b>			
a. Employees whose contract end-date has been recorded in the personnel register in this financial year	5	0	5.0
b. By nature of the employment contract			
Contract for an indefinite period	5	0	5.0
Contract for a definite period	0	0	0.0
Contract for execution of a specifically assigned work	0	0	0.0
Replacement contract	0	0	0.0
c. By reason of termination of contract			
Retirement	0	0	0.0
Early retirement	0	0	0.0
Dismissal	0	0	0.0
Other reason	5	0	5.0
Of which: the number of persons who continue to render services to the company at least half-time on a self-employed basis	0	0	0.0

\*full-time equivalent

### 6.3. Information on training provided to employees during the period

	Men	Women
<b>Initiatives in formal continued professional development at the expense of the employer</b>		
Number of employees involved	18	16
Numbers of actual training hours	305	305
Net costs for the enterprise	97,225 €	89,139 €
Of which gross costs directly linked to training	97,225 €	89,139 €
Of which fees paid and payments to collective funds	0 €	0 €
Of which subsidies and other financial advantages received (to deduct)	0 €	0 €
<b>Total of initiatives of less formal or informal professional training at the expense of the employer</b>		
Number of employees involved	35	14
Numbers of actual training hours	1,151	131
Net costs for the enterprise	130,137 €	12,143 €
<b>Total of initiatives of initial professional training at the expense of the employer</b>		
Number of employees involved	0	0
Numbers of actual training hours	0	0
Net costs for the enterprise	0 €	0 €

## 15. GLOSSARY

### Relevance of the financial ratios published (see section 4 of the annual report)

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

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

## Definition of indicators

### **Other investments in property, plant and equipment outside RAB**

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

### **Net financial expenses**

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

### **Interest expenses**

Borrowing interest costs net of interest on regulatory liabilities.

### **EBIT**

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

### **EBITDA**

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

### **Net financial debt**

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



**FFO**

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

**RAB**

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

**Extended RAB**

Total RAB and other investments in property, plant and equipment outside RAB.

**RCF**

Retained Cash-Flow or FFO net of dividends paid.

**WACC**

Weighted Average Cost of Capital.

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Profit/loss from continuing operations	237,564	240,295	4
Net depreciation	381,567	419,367	4.3.5
Net provisions	-7,960	-6,400	4.3.5
Impairment losses	448	-831	4.3.5
Earnings from associates and joint ventures	16,587	15,294	4.6
Dividends from unconsolidated entities	0	9	4.4
<b>EBITDA in thousands of €</b>	<b>628,206</b>	<b>667,734</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Profit/loss from continuing operations	237,564	240,295	4
Earnings from associates and joint ventures	16,587	15,294	4.6
Dividends from unconsolidated entities	0	9	4.4
<b>EBIT in thousands of €</b>	<b>254,151</b>	<b>255,598</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Financial income from lease contracts	0	0	4.4
Interest income on investments, cash and cash equivalents at fair value through profit and loss	6,973	7,801	4.4
Other interest income	8,190	6,652	4.4.1
Borrowing interest costs	-67,246	-81,069	4.5.1
Interest on regulatory assets and liabilities	1,433	862	
<b>Net financial expenses in thousands of €</b>	<b>-50,650</b>	<b>-65,754</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Borrowing interest costs	-67,246	-81,069	4.5.1
Interest on regulatory liabilities	1,433	1,907	
<b>Interest expenses in thousands of €</b>	<b>-65,813</b>	<b>-79,162</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Profit/loss from continuing operations	237,564	240,295	4
Operating revenue - Movements in regulatory assets and liabilities	49,928	58,302	
Net depreciation	381,567	419,367	4.3.5
Net provisions	-7,960	-6,400	4.3.5
Impairment losses	448	-831	4.3.5
Inflows related to associates and joint ventures	13,952	148	
Dividends from unconsolidated entities	0	9	4.4
Net financial expenses	-50,650	-65,754	
Current tax	-94,388	-113,262	4.7.1
<b>FFO in thousands of €</b>	<b>530,461</b>	<b>531,874</b>	

<b>Fluxys SA consolidated income statement in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
FFO	530,461	531,874	
Dividends paid	-174,838	-199,385	
<b>RCF</b>	<b>355,623</b>	<b>332,489</b>	

<b>Fluxys SA consolidated balance sheet in thousands of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
Non-current interest-bearing liabilities	3,330,377	2,723,882	5.12
Current interest-bearing liabilities	370,643	637,257	5.12
Granted guarantees	537,450	0	7.8
Other financing (current)	-30,097	-20,361	5.12
Other financing (non-current)	-95,343	-157,538	5.12
Other liabilities (current)	-95,367	-57,918	5.12
Other liabilities (non-current)	-407,319	-352,055	5.12
Non-current loan	-99,957	-110,673	5.6.1
Cash investments (75%)	-202,661	-122,022	5.9
Cash and cash equivalents (75%)	-222,419	-199,251	5.9
Other financial assets (75%)	-56,735	-60,819	5.5.2
<b>Net financial debt in thousands of €</b>	<b>3,028,572</b>	<b>2,280,502</b>	

<b>Fluxys SA consolidated balance sheet in millions of €</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Notes</b>
<b>Transmission</b>	<b>2,874.1</b>	<b>2,802.4</b>	
Transmission - Fluxys Belgium	2,194.2	2,257.9	
Transmission - Fluxys TENP	14.1	11.9	
Transmission - TENP	248.1	255.5	
Transmission - Fluxys Deutschland	417.8	277.1	
<b>Storage</b>	<b>246.1</b>	<b>253.3</b>	
<b>LNG terminalling</b>	<b>324.6</b>	<b>328.0</b>	
<b>Other tangible investments outside RAB</b>	<b>3,111.9</b>	<b>1,647.7</b>	
<b>Extended RAB in millions of €</b>	<b>6,556.7</b>	<b>5,031.4</b>	

In Belgium, the Regulated Asset Base (RAB) is determined based on the average book value of the fixed assets over the period, increased mainly by the cumulated accounting depreciation of the revaluation. The computation is done in accordance with the tariff methodology published by CREG.

**Questions about financial or accounting data**

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This report is also available in Dutch and French.

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