

Fluxys Belgium press release

28 March 2018 – Regulated information: 2017 results

- Regulated turnover remains stable
- Net profit increases by €21.8 million, €16.2 million of which is due to the one-off impact of tax reform
- Tax reform has positive impact on future tariffs but no effect on the dividend to be paid out
- Fluxys Belgium proposes to the Annual General Meeting on 8 May 2018 a gross dividend of €1.23 per share
- Successful long-term bond issue worth €350 million
- Investments: €83.4 million, mainly for the construction of the fifth tank at the Zeebrugge LNG terminal
- Belgian network plays key role as a natural gas crossroads: border-to-border transmission volumes up 20%
- Gas-fired power plants crucial to security of electricity supply
- Belgian gas trading still growing steadily
- Transmission tariffs drop by approximately 7.5% in 2018
- Natural gas as a fuel for transport continues to rise

1. Key financial figures

Income statement	(in € thousand)	31.12.2017	31.12.2016
Operating income		510,528	509,490
EBITDA		283,171	276,713
EBIT		129,320	118,615
Net profit		70,321	48,484
Balance sheet	(in € thousand)	31.12.2017	31.12.2016
Investments for the period in property, plant and equipment		83,354	139,219
Total property, plant and equipment		2,250,659	2,321,123
Equity		713,795	694,352
Total consolidated balance sheet		3,290,873	2,989,171

EBITDA Revenue from continuing operations, including dividends received and before depreciation, impairment losses and provisions

EBIT Profit (loss) from continuing operations, including dividends received

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Operating income in 2017: €510.5 million. The Fluxys Belgium group generated turnover of €510.5 million in 2017, similar to that generated over the same period in 2016 (€509.5 million). In accordance with regulatory principles, this stable level of regulated turnover is mainly due to the drop in operating costs that offsets the increase in the regulated rate of return.

Interest rates are still low, affecting the group's net profit. The majority of the Fluxys Belgium group's activities are regulated. The profit from these activities is determined by different regulatory parameters, in particular the equity invested, the financial structure, and OLO interest rates.

The average OLO interest rate in 2017 amounted to 0.74%, compared to 0.49% in 2016. This increase has a positive impact on the regulated rate of return on invested capital and consequently on the annual profit for 2017, as does the increase in the profit from non-regulated activities. Both elements jointly have an impact of €5.5 million.

The reform of Belgian corporate income tax has a one-off impact of €16.2 million on deferred taxes booked in the past. However, this increase does not affect the profit or dividend to be paid out as the tax level is not an element that determines the allowed regulated return for shareholders. On the contrary, the tax reform does have a positive impact on future tariffs. Thanks to lower tax rates, from 2020 onwards Fluxys Belgium will pay relatively fewer taxes and as such the costs to be covered by the tariffs will decrease.

The net profit in 2017 amounted to €70.3 million, an increase of €21.8 million compared to the same period in 2016 (€48.5 million).

€83.4 million invested. In 2017, investments in property, plant and equipment totalled €83.4 million, compared to €139.2 million in 2016. €64.8 million went to LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal) and €16.8 million went to transmission projects.

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2. Key events

Border-to-border transmission volumes up 20%. The discontinuation of the UK's largest storage facility has triggered a major shift in the provision of flexibility on the Northwest European market. In this market situation, the Belgian network once again played its key role as a gas crossroads, with volumes transmitted from border to border rising by 20%.

Gas-fired power plants crucial to security of electricity supply. The quantities of gas transported for consumption in Belgium rose slightly (+1.4%). Offtake by distribution fell (-1.2%) as temperatures in 2017 were milder compared to 2016, while industry recorded a healthy rise (+5.1%) and offtake by power plants also increased (+3.4%). The latter reaffirms in 2017 that gas-fired power plants are the indispensable partner of renewable energy generation as their flexibility offers back-up when there is too little wind or sun. They also provided for security of electricity supply when other generation units were unavailable in Q1, Q4, as well as in April and May.

Belgian gas trading is still growing steadily. Traded volumes on Belgium's ZTP gas trading place rose by nearly 10% in 2017 to 1008 TWh, exceeding for the first time 1000 TWh, more than five times Belgium's annual consumption. Notional trading on ZTP continued in 2017 the strong growth seen in recent years, with volumes traded rising by 46%. In December, daily traded volumes set a new record of 1.4 TWh.

Transmission tariffs drop by approximately 7.5% in 2018. Tariffs for gas transmission have fallen since 1 January 2018. This is the result of ongoing efficiency efforts by Fluxys Belgium and low interest rates. These two factors prompted Fluxys Belgium and federal energy regulator CREG in 2017 to start the regulatory procedure for lowering gas transmission tariffs for the period 2018-2019. The tariff reduction and non-indexation of tariffs on 1 January 2018 jointly result in a transmission cost reduction of approximately 7.5%.

Major step forward in the development of LNG as marine fuel. The commissioning of the second jetty at the Zeebrugge LNG terminal in late 2016 marked another major step forward in the development of liquefied natural gas (LNG) as a marine fuel. Thanks to the second jetty, the terminal can now also welcome small LNG bunkering vessels that load LNG in order to supply other ships using LNG as fuel. Regularly docking at the second jetty is the ENGIE Zeebrugge, the LNG bunkering vessel in which parent company Fluxys is a partner and whose home port is Zeebrugge. The second jetty also enables the terminal to respond flexibly to demand for simultaneous or consecutive berthings.

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Number of CNG vehicles and filling stations continues to rise. In 2017, the number of CNG-powered vehicles again rose considerably, from 5,400 to 9,000. More than one CNG filling station on average opened per month, with their numbers rising from 74 to 90.

Successful issue of long-term bond worth €350 million. With a view to refinancing a loan maturing in May 2018, Fluxys Belgium responded to the keen interest shown by investors in late summer by issuing a bond in two tranches:

- One 10-year tranche of €300 million with a coupon of 1.75% (87 bps over midswap) and maturing in October 2027
- One 15-year tranche of €50 million with a coupon of 2.375% (105 bps over midswap) and maturing in October 2032

The success of the issue reaffirms the confidence of European institutional investors in Fluxys Belgium's creditworthiness and the key role of the Belgian natural gas network as a crossroads in Northwest Europe.

3. Fluxys Belgium – 2017 profits (according to Belgian standards): proposed allocation of profits

Fluxys Belgium's net profits totalled €44.7 million, compared to €33.7 million in 2016.

This increase is essentially due to the same reasons as the changes in the consolidated results, namely the rise in rates for linear bonds (OLOs) which affects the regulated rate of return, just like the increase in the profit from non-regulated activities, including dividend yield. According to Belgian standards, the tax reform has no impact on the profits of the current financial year.

Since 2010 and barring unforeseen events, Fluxys Belgium has strived to distribute 100% of its net profit for the year plus any reserves released in line with the depreciation of the revaluation surplus.

At the Annual General Meeting of 8 May 2018, Fluxys Belgium will propose a gross dividend of €1.23 per share by freeing up €9.9 million of unavailable reserves.

Factoring in a profit of €33.6 million carried forward from the previous financial year and withdrawal from reserves of €51.4 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €86.4 million as dividend payout
- €43.3 million as profit to be carried forward

If this proposed allocation of profits is approved, the total gross dividend per share for the 2017 financial year will be €1.23. This amount will be payable as from 17 May 2018.

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4. Financial outlook for 2018

The net profit from Belgian regulated activities is determined, as per the current tariff methodology, by different regulatory parameters, in particular by the equity invested, by the financial structure, and by the interest rates (OLO). The recurring dividend will continue to evolve primarily based on the development of these three parameters. The current financial markets do not allow for accurate projections regarding the evolution of interest rates and thus the return on regulated activities.

5. External audit

The statutory auditor has confirmed that his audit activities, which have been thoroughly carried out, have not revealed the need for any significant adjustments to the accounting information contained in this press release.

CONTACTS

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6. Annexes

Consolidated balance sheet	In € thousand	
	31.12.2017	31.12.2016
I. Fixed assets	2,392,797	2,463,346
Property, plant and equipment	2,250,659	2,321,123
Intangible assets	45,246	52,250
Investments in associates and joint ventures	16	16
Other financial assets	81,179	57,022
Finance lease receivables	0	7,222
Other non-current assets	15,697	25,713
II. Current assets	898,076	525,825
Inventories	27,856	21,500
Finance lease receivables	7,222	5,581
Current tax receivables	12	113
Trade and other receivables	108,598	88,309
Short-term investments	415,153	101,209
Cash and cash equivalents	320,573	291,727
Other current assets	18,662	17,386
Total assets	3,290,873	2,989,171

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Consolidated balance sheet		In € thousand	
	31.12.2017	31.12.2016	
I. Equity	713,795	694,352	
Equity attributable to the parent company's shareholders	713,795	694,352	
Share capital and share premiums	60,310	60,310	
Retained earnings and other reserves	653,485	634,042	
Non-controlling interests	0	0	
II. Non-current liabilities	2,019,777	2,107,992	
Interest-bearing liabilities	1,752,654	1,765,025	
Provisions	3,947	2,437	
Provisions for employee benefits	59,346	62,224	
Deferred tax liabilities	203,830	278,306	
III. Current liabilities	557,301	186,827	
Interest-bearing liabilities	467,176	79,472	
Provisions	325	6,841	
Provisions for employee benefits	3,879	4,472	
Current tax payables	6,689	6,524	
Trade and other payables	76,957	87,942	
Other current liabilities	2,275	1,576	
Total liabilities and equity	3,290,873	2,989,171	

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Consolidated income statement	In € thousand	
	31.12.2017	31.12.2016
Operating revenue	510,528	509,490
Sales of gas related to balancing of operations and operational needs	66,096	47,245
Other operating income	12,248	13,607
Consumables, merchandise and supplies used	-2,678	-3,837
Purchase of gas related to balancing of operations and operational needs	-66,014	-47,138
Miscellaneous goods and services	-122,996	-121,894
Employee expenses	-107,077	-113,436
Other operating expenses	-6,944	-7,332
Net depreciation	-160,081	-159,141
Net provisions	5,399	-964
Impairment losses	831	2,007
Profit/loss from continuing operations	129,312	118,607
Change in the fair value of financial instruments	-1,058	-1,010
Financial income	2,464	2,065
Finance costs	-48,240	-47,849
Profit/loss from continuing operations after net financial result	82,478	71,813
Income tax expenses	-12,157	-23,329
Net profit/loss for the period	70,321	48,484
Fluxys Belgium share	70,321	48,484
Non-controlling interests	0	0
Basic earnings per share attributable to the parent company's shareholders in €	1.0008	0.6900
Diluted earnings per share attributable to the parent company's shareholders in €	1.0008	0.6900

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Consolidated statement of comprehensive income		In € thousand	
	31.12.2017	31.12.2016	
Net profit/loss for the period	70,321	48,484	
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	-4,748	-9,147	
Income tax expense on other comprehensive income	1,614	3,109	
Taxes - Change in tax rate ¹	36,572	0	
Other comprehensive income	33,438	-6,038	
Comprehensive income for the period	103,759	42,446	
Fluxys Belgium share	103,759	42,446	
Non-controlling interests	0	0	

¹ The reform of Belgian corporate income tax results in a one-off review of deferred taxes booked in the past. The reduction of deferred taxes on the liabilities side of the balance sheet was booked through the other items of the total result for the part relating to transactions normally booked there, namely the revaluation of property, plant and equipment (€37.7 million), the spread taxation on gains on realization of property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.5 million). The balance of this review was booked on the net profit for the period (€16.2 million).

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Statement of changes in equity								In € thousand
	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
III. CLOSING BALANCE AS AT 31.12.2015	60,272	38	45,729	-1,251	631,434	736,222	0	736,222
1. Comprehensive income for the period				-6,038	48,484	42,446		42,446
2. Dividends paid					-84,316	-84,316		-84,316
3. Other changes								
IV. CLOSING BALANCE AS AT 31.12.2016	60,272	38	45,729	-7,289	595,602	694,352	0	694,352

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Statement of changes in equity

In € thousand

	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits (1)	Retained earnings	Other components of the total result (1)	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
III. CLOSING BALANCE AS AT 31.12.2016	60,272	38	45,729	-7,289	595,602	0	694,352	0	694,352
1. Comprehensive income for the period				-4,619	70,321	38,057	103,759	0	103,759
2. Dividends paid			-9,905		-74,411		-84,316		-84,316
3. Other changes									
IV. CLOSING BALANCE AS AT 31.12.2017	60,272	38	35,824	-11,908	591,512	38,057	713,795	0	713,795

(1) See comment on previous page.

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Consolidated statement of cash flows (indirect method)		In € thousand	
	31.12.2017	31.12.2016	
I. Cash and cash equivalents, opening balance	291,727	327,061	
II. Net cash flows relating from operating activities	220,206	239,258	
1. Cash flows from operating activities	267,000	278,993	
1.1. Profit from operations	129,312	118,607	
1.2. Non-cash adjustments	153,218	158,139	
1.2.1. Depreciation	160,081	159,141	
1.2.2. Provisions	-5,399	964	
1.2.3. Impairment losses	-831	-2,007	
1.2.4. Translation adjustments	0	0	
1.2.5. Non cash adjustments	-633	41	
1.3. Changes in working capital	-15,530	2,247	
1.3.1. Inventories	-6,356	4,616	
1.3.2. Tax receivables	101	661	
1.3.3. Trade and other receivables	-20,289	-11,072	
1.3.4. Other current assets	49	-2,669	
1.3.5. Tax payables	-117	-723	
1.3.6. Trade and other payables	7,869	7,502	
1.3.7. Other current liabilities	699	238	
1.3.8. Other changes in working capital	2,514	3,694	
2. Cash flows relating to other operating activities	-46,794	-39,735	
2.1. Current tax paid	-48,165	-41,483	
2.2. Interests from investments, cash and cash equivalents	1,500	1,903	
2.3. Other inflows (outflows) relating to other operating activities	-129	-155	
III. Net cash flows relating to investment activities	-439,985	-143,198	
1. Acquisitions	-129,817	-139,297	
1.1. Payments to acquire property, plant and equipment, and intangible assets	-105,660	-130,398	
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0	
1.3. Payments to acquire other financial assets	-24,157	-8,899	

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Consolidated statement of cash flows (indirect method)	In € thousand	
	31.12.2017	31.12.2016
2. Disposals	1,652	813
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	1,652	312
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	0	501
3. Dividends received classified as investment activities	8	8
4. Subsidies received	2,116	0
5. Other cash flows relating to investment activities	-313,944	-4,722
IV. Net cash flows relating to financing activities	248,625	-131,394
1. Proceeds from cash flows from financing	443,696	57,227
1.1. Proceeds from issuance of equity instruments	0	0
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	5,581	3,838
1.4. Proceeds from other non-current assets	0	4,218
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities ²	438,115	49,171
2. Repayments relating to cash flows relating from financing	-63,959	-62,726
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of finance lease liabilities	0	0
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-63,959	-62,726
3. Interest	-46,796	-41,579
3.1. Interest paid classified as financing	-46,926	-41,712
3.2. Interest received classified as financing	130	133
4. Dividends paid	-84,316	-84,316
V. Net change in cash and cash equivalents	28,846	-35,334
VI. Cash and cash equivalents, closing balance	320,573	291,727

² With a view to refinancing the loan maturing in May 2018, in October 2017 Fluxys Belgium issued bonds totalling €350 million. This amount was invested in Fluxys for seven months. This transaction is booked under 'Increase (-) / Decrease (+) in cash investments', which is therefore included in net cash flows relating to investment activities.