

Fluxys Belgium press release

27 March 2019 – Regulated information: 2018 results

- **Regulated turnover stable**
- **Net profit: €54.5 million**
- **Proposal to the Annual General Meeting on 14 May 2019: gross dividend of €1.26 per share (2017: €1.23)**
- **Investments: €78.1 million, mainly for the construction of the fifth tank at the Zeebrugge LNG terminal**
- **Cold spell and peak demand for gas-fired power generation: Fluxys Belgium grid once again proves its robustness**
- **Sharp increase in terminalling of large volumes of LNG at Zeebrugge facility**
- **Belgium takes a first step towards green gas for consumers**

1. Key financial data

Income statement	(in thousands of €)	31/12/2018	31/12/2017
Operating revenue		503,246	510,528
EBITDA*		278,382	283,171
EBIT*		120,601	129,320
Net profit		54,469	70,321
Balance sheet	(in thousands of €)	31/12/2018	31/12/2017
Investments in property, plant and equipment over the period		78,139	83,354
Total property, plant and equipment		2,181,771	2,250,659
Equity		687,156	713,795
Net financial debt*		881,932	950,528
Total consolidated balance sheet		2,914,902	3,290,873

*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.

*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.

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*Net financial debt

Interest-bearing liabilities net of regulatory liabilities, non-current debt-related loans, cash from early refinancing operations and 75% of the balance of cash, cash equivalents and non-current and current cash investments.

More information about the 2017-2018 evolution of EBITDA, EBIT and net financial debt in the appendices.

Turnover in 2018: €503.2 million. The Fluxys Belgium group generated turnover of €503.2 million in 2018, slightly down compared to the €510.5 million earned during the same period in 2017. In accordance with regulatory principles, this fall in regulated turnover is mainly due to the decline in operating costs, financing costs and taxes, partially offset by an increase in the allowed regulated return.

The persistently low interest rates are affecting the Group's net result. The majority of the activities of the Fluxys Belgium group are regulated. The profit from these activities is determined by various regulatory parameters, including equity invested, financial structure, and OLO interest rates.

In 2018, the average OLO interest rate was 0.81%, up from 0.74% in 2017. This increase has a positive impact on the regulated return on invested capital and consequently on the 2018 annual results.

In 2018, net profits totalled €54.5 million, down €15.8 million compared to 2017 (€70.3 million). However, the net profits in 2017 were exceptionally high due to a one-off impact on deferred taxes booked in the past totalling €16.2 million as a result of the Belgian corporate tax reform.

Investments totalling €78.1 million. In 2018, investments in property, plant and equipment totalled €78.1 million, compared with €83.4 million in 2017. €17.8 million was spent on transmission projects, €0.8 million on storage infrastructure and €59.5 million on LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal).

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2. Key events

The Fluxys Belgium grid once again proves its robustness. Fluxys Belgium's grid and balancing system proved particularly robust in late February and early March 2018. During the cold spell occurring over that period, producers suffered interruptions and technical problems arose elsewhere in the Northwest European gas grid. Under those exceptional circumstances, the Fluxys Belgium system offered the resilience required to support smooth market functioning and competitive prices on the wholesale market.

The Fluxys Belgium grid also was once again ready to cover peak demand from gas-fired power stations for which October and November 2018 were record months as they strove to meet the needs for power generation in Belgium. In November, gas-fired power stations supplied no less than 43% of the generated electricity.

Sharp increase in terminalling of large volumes of LNG at Zeebrugge facility. Compared to the previous year, in 2018 almost twice as many ships came to unload LNG at the Zeebrugge terminal, and more than twice as much LNG was regasified and injected into the grid. Demand for loading large LNG vessels also picked up again.

Furthermore, in May 2018 when ship-to-ship transshipment services began, this marked the start of a new phase in the LNG terminal's diversification. No fewer than 9 direct LNG ship-to-ship transshipment operations were carried out. Once the fifth storage tank will be commissioned in 2019, it will serve as a buffer for transshipments between two vessels that are not docked simultaneously.

Second loading bay for LNG trailers in use. A second loading bay for LNG trailers at the Zeebrugge terminal became operational in December 2018. The additional bay secures the facility's continued ability to respond smoothly to future demand by doubling capacity from 4,000 to 8,000 loading operations per year. The loading bay receives financial support from the European Commission through the Connecting Europe Facility.



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Natural gas for transport on the rise. In 2018, the number of CNG vehicles in Belgium increased by 60% to 14,000 and the number of CNG filling stations rose to more than 100. Strict emission standards for sulphur in the English Channel, North Sea and Baltic Sea also boosted the importance of LNG as a marine fuel. Furthermore, the order book for new LNG-powered vessels is filling up, with even more orders expected to follow by 2020, the year in which sulphur emission standards for all marine traffic will be significantly tightened.

Belgium takes a first step towards green gas for consumers. In 2018, Belgium saw the first unit for the production of biomethane go into service. In this context, Fluxys Belgium teamed up with Belgian gas federation gas.be and the distribution system operators to set up a system of green gas certificates. As a result, consumers in Belgium can buy green gas just as they can buy green electricity.

3. Fluxys Belgium SA/NV – 2018 profit (according to Belgian standards): proposed allocation of profit

Fluxys Belgium's net profits totalled €47.6 million, up from €44.7 million in 2017. This increase on the previous financial year is due to the same reasons as the changes in the consolidated results, namely the rise in interest rates for linear bonds (OLOs), which affects the regulated return, the efficiency gains, the dividend income and the lower profits from non-regulated activities.

Since 2010, barring unforeseen events, Fluxys Belgium has striven towards distributing 100% of its annual net profits plus the share of reserves freed up as and when the revaluation surplus is depreciated.

At its Annual General Meeting on 14 May 2019, Fluxys Belgium will propose paying out a gross dividend of €1.26 per share by releasing €9.9 million from unavailable reserves.

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Taking into account a profit of €43.3 million carried over from the previous financial year and a withdrawal of €50.6 million from the reserves, the Board of Directors will propose to the Annual General Meeting that the profits be allocated as follows:

- €88.5 million as a dividend payment, and
- €53.0 million as profit to be carried forward.

If that profit allocation proposal is adopted, the total gross dividend for the 2018 financial year will total €1.26 per share. This amount will be payable as of 23 May 2019.

4. Financial outlook for 2019

Under the current tariff methodology, net profits from Belgian regulated activities are determined based on various regulatory parameters, including equity invested, financial structure, and OLO interest rates. Changes in the recurring dividend will primarily continue to depend on these three parameters. Current financial markets do not permit accurate forecasts regarding changes in interest rates and thus returns on regulated activities.

5. External audit

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

Contact persons

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6. Annexes

Consolidated balance sheet	In thousands of €	
	31/12/2018	31/12/2017
I. Non-current assets	2,321,691	2,392,797
Property, plant and equipment	2,181,771	2,250,659
Intangible assets	39,862	45,246
Investments in associates and joint ventures	16	16
Other financial assets	77,525	81,179
Finance lease receivables	3,902	0
Loans and receivables	144	0
Other non-current assets	18,471	15,697
II. Current assets	593,211	898,076
Inventories	29,103	27,856
Financial lease receivables	690	7,222
Current tax receivables	6,280	12
Trade and other receivables	97,217	108,598
Short-term investments	53,279	415,153
Cash and cash equivalents	389,587	320,573
Other current assets	17,055	18,662
Total assets	2,914,902	3,290,873

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Consolidated balance sheet	In thousands of €	
	31/12/2018	31/12/2017
I. Equity	687,156	713,795
Equity attributable to the parent company's shareholders	687,156	713,795
Share capital and share premiums	60,310	60,310
Retained earnings and other reserves	626,846	653,485
Non-controlling interests	0	0
II. Non-current liabilities	1,977,106	2,019,777
Interest-bearing liabilities	1,723,831	1,752,654
Provisions	4,028	3,947
Provisions for employee benefits	58,819	59,346
Other non-current financial liabilities	1,794	0
Deferred tax liabilities	188,634	203,830
III. Current liabilities	250,640	557,301
Interest-bearing liabilities	158,004	467,176
Provisions	209	325
Provisions for employee benefits	3,844	3,879
Current tax payables	4,102	6,689
Trade and other payables	79,345	76,957
Other current liabilities	5,136	2,275
Total liabilities and equity	2,914,902	3,290,873

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Consolidated income statement	In thousands of €	
	31/12/2018	31/12/2017
Operating revenue	503,246	510,528
Sales of gas related to balancing of operations and operational needs	106,233	66,096
Other operating income	14,068	12,248
Consumables, merchandise and supplies used	-4,142	-2,678
Purchase of gas related to balancing of operations and operational needs	-106,240	-66,014
Miscellaneous goods and services	-120,729	-122,996
Employee expenses	-107,852	-107,077
Other operating expenses	-6,202	-6,944
Net depreciation	-155,565	-160,081
Net provisions	-1,816	5,399
Impairment losses	-400	831
Profit/loss from continuing operations	120,601	129,312
Change in the fair value of financial instruments	0	-1,058
Financial income	1,322	2,464
Finance costs	-42,189	-48,240
Profit/loss from continuing operations after net financial result	79,734	82,478
Income tax expenses	-25,265	-12,157
Net profit/loss for the period	54,469	70,321
Fluxys Belgium share	54,469	70,321
Non-controlling interests	0	0
Basic earnings per share attributable to the parent company's shareholders in €	0.7752	1.0008
Diluted earnings per share attributable to the parent company's shareholders in €	0.7752	1.0008

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Consolidated statement of comprehensive income	In thousands of €	
	31/12/2018	31/12/2017
Net profit/loss for the period	54,469	70,321
Items that will not be reclassified subsequently to profit or loss		
Revaluations from employee benefits	6,140	-4,748
Income tax expense on other comprehensive income	-1,136	1,614
Income tax expenses - Change in tax rate (1)	0	36,572
Other comprehensive income	5,004	33,438
Comprehensive income for the period	59,473	103,759
Fluxys Belgium share	59,473	103,759
Non-controlling interests	0	0

(1) The corporate tax reform in Belgium 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 was accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement, i.e. the revaluation of property, plant and equipment (€37.7 million), the deferred taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.5 million). The balance of this revision was accounted for in the net profit/loss for the year 2017 (€16.2 million).

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Statement of changes in consolidated equity

In thousands of €

	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits (2)	Retained earnings	Other comprehensive income (2)	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. 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 distributed			-9,905		-74,411		-84,316		-84,316
3. Other changes									0
II. CLOSING BALANCE AS AT 31/12/2017	60,272	38	35,824	-11,908	591,512	38,057	713,795	0	713,795

(2) First application of IFRS 9

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Statement of changes in consolidated equity

In thousands of €

	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits (2)	Retained earnings	Other comprehensive income (2)	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
II. CLOSING BALANCE AS AT 31/12/2017	60,272	38	35,824	-11,908	591,512	38,057	713,795	0	713,795
1. Changes relating to the previous financial year									
1.1. Changes in accounting policies affecting shareholders' equity					312		312		312
III. CLOSING BALANCE AS AT 01/01/2018 revised	60,272	38	35,824	-11,908	591,824	38,057	714,107	0	714,107
1. Total comprehensive income for the period				5,004	54,469	0	59,473		59,473
2. Paid dividends			-9,904		-76,520		-86,424		-86,424
3 Changes in scope of consolidation									
4. Capital increase									
5. Other Changes									
IV. CLOSING BALANCE AS AT 31/12/2018	60,272	38	25,920	-6,904	569,773	38,057	687,156		687,156

(2) First application of IFRS 9

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Consolidated statement of cash flows (indirect method)	In thousands of €	
	31/12/2018	31/12/2017
I. Cash and cash equivalents, opening balance	320,573	291,727
II. Net cash flows from operating activities	247,233	220,206
1. Cash flows from operating activities	290,989	267,000
1.1. Profit (loss) from operations	120,601	129,312
1.2. Non-cash adjustments	157,956	153,218
1.2.1. Depreciations	155,565	160,081
1.2.2. Provisions	1,816	-5,399
1.2.3. Impairment losses	400	-831
1.2.4. Translation adjustments	0	0
1.2.5. Non-cash adjustments	175	-633
1.3. Changes in working capital	12,432	-15,530
1.3.1. Inventories	-1,247	-6,356
1.3.2. Tax receivables	-6,268	101
1.3.3. Trade and other receivables	11,381	-20,289
1.3.4. Other current assets	454	49
1.3.5. Tax payables	435	-117
1.3.6. Trade and other payables	3,531	7,869
1.3.7. Other current liabilities	2,861	699
1.3.8. Other changes in working capital	1,285	2,514
2. Cash flows relating to other operating activities	-43,756	-46,794
2.1. Current tax paid	-44,728	-48,165
2.2. Interest from investments, cash and cash equivalents	1,067	1,500
2.3. Other inflows (outflows) relating to other operating activities	-95	-129
III. Net cash flows relating to investment activities	285,132	-439,985
1. Acquisitions	-83,398	-129,817
1.1. Payments to acquire property, plant and equipment, and intangible assets	-83,398	-105,660
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	0	-24,157

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Consolidated statement of cash flows (indirect method)	In thousands of €	
	31/12/2018	31/12/2017
2. Disposals	6,656	1,652
2.1. Proceeds from the disposal of property, plant and equipment, and intangible assets	1,208	1,652
2.2. Proceeds from the disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	5,448	0
3. Dividends received classified as investment activities	0	8
4. Subsidies received	0	2,116
5. Increase (-) / Decrease (+) of short-term investments	361,874	-313,944
IV. Net cash flows relating to financing activities	-463,351	248,625
1. Proceeds from cash flows from financing	108,380	443,696
1.1. Proceeds from the issuance of equity instruments	0	0
1.2. Proceeds from the issuance of treasury shares	0	0
1.3. Proceeds from finance leases	2,630	5,581
1.4. Proceeds from other non-current assets	-144	0
1.5. Proceeds from the issuance of compound financial instruments	0	0
1.6. Proceeds from the issuance of other financial liabilities (3)	105,894	438,115
2. Repayments relating to cash flows from financing	-434,311	-63,959
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 (3)	-434,311	-63,959
3. Interest	-50,996	-46,796
3.1. Interest paid classified as financing	-51,165	-46,926
3.2. Interest received classified as financing	169	130
4. Dividends paid	-86,424	-84,316
V. Net change in cash and cash equivalents	69,014	28,846
VI. Cash and cash equivalents, closing balance	389,587	320,573

(3) With a view to refinancing a loan maturing in May 2018, Fluxys Belgium proceeded with a €350 million bond issue in October 2017. This amount is invested with Fluxys SA for 7 months. The latter is included in the item 'Increase/Decrease of short-term investments', an item which is consequently reclassified in the net cash flows relating to investment activities.

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Fluxys Belgium consolidated income statement	In thousands of €	
	31-12-2018	31-12-2017
Profit/loss from continuing operations	120,601	129,312
Net depreciation	155,565	160,081
Net provisions	1,816	-5,399
Impairment losses	400	-831
Earnings from associates and joint ventures	0	0
Dividends from unconsolidated entities	0	8
EBITDA in thousands of €	278,382	283,171

Fluxys Belgium consolidated income statement	In thousands of €	
	31-12-2018	31-12-2017
Profit/loss from continuing operations	120,601	129,312
Earnings from associates and joint ventures	0	0
Dividends from unconsolidated entities	0	8
EBIT in thousands of €	120,601	129,320

Fluxys Belgium consolidated balance sheet	In thousands of €	
	31-12-2018	31-12-2017
Non-current interest-bearing liabilities	1,723,831	1,752,654
Current interest-bearing liabilities	158,004	467,176
Other financing (current)	-30,097	-20,361
Other financing (non-current)	-95,343	-157,538
Other liabilities (current)	-95,367	-53,985
Other liabilities (non-current)	-390,212	-337,304
Cash investments (100%)	0	-350,000
Cash investments (75%)	-39,959	-48,865
Cash and cash equivalents (75%)	-292,190	-240,430
Other financial assets (75%)	-56,735	-60,819
Net financial debt	881,932	950,528