

**Fluxys Belgium  
Half-yearly financial report 2019**

**30 June 2019**

# Contents

<b>1 Interim report</b>	<b>4</b>
1.1 Highlights from the first half of 2019	5
1.2 Key financial data	6
1.3 Key events	7
1.4 Main risks and uncertainties for the second half of 2019	10
1.5 Transactions with related parties	10
1.6 Financial outlook	11
<b>2 Condensed half-yearly financial statements of Fluxys Belgium and its subsidiaries consolidated under IFRS - 30 June 2019</b>	<b>13</b>
2.1 General information on the company	15
2.1.1 Corporate name and registered office	15
2.1.2 Group activities	15
2.2 Condensed IFRS financial statements of the Fluxys Belgium Group	16
A. Condensed consolidated balance sheet	16
B. Condensed consolidated income statement	18
C. Condensed consolidated statement of comprehensive income	19
D. Condensed consolidated statement of changes in equity	20
E. Condensed consolidated statement of cash flows	22
2.3 Selection of explanatory notes	25
Note 1. General information	25
Note 2. Seasonal nature of activities within the interim period	35
Note 3. Acquisitions, disposals and restructures	36
Note 4. Income statement and operating segments	36
Note 5. Segment balance sheet	42

Note 6. Property, plant and equipment	44
Note 7. Interest-bearing liabilities	48
Note 8. Provisions	51
Note 9. Contingent assets and liabilities – rights and commitments of Fluxys Belgium and its subsidiaries	53
Note 10. Significant transactions with related parties	53
Note 11. Financial instruments	56
Note 12. Events after the balance sheet date	59
2.4 Statutory auditor’s report	60
<b>3 Definition of indicators</b>	<b>62</b>

# 1 Interim report

## **Declaration regarding the first half-year ending 30 June 2019**

I hereby attest that, to my knowledge:

- the condensed financial statements of Fluxys Belgium, drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, financial position and profit/loss of the issuer and the companies included in the consolidation scope;
- the interim report gives a true and fair view of the information that should be included therein, including the key events and the main transactions with related parties that have taken place in the first six months of the financial year and their impact on the condensed financial statements, as well as a description of the main risks and uncertainties for the remaining months of the financial year.

Brussels, 25 September 2019

Pascal De Buck  
Chairman of the Executive Board  
Chief Executive Officer

## 1.1 Highlights from the first half of 2019

- **Regulated turnover up to €260.0 million (compared with €250.1 million in the first half of 2018)**
- **Net profit up to €31.4 million (compared with €24.3 million in the first half of 2018): expansion investments in LNG terminalling increase return, but rise offset by a drop in the OLO reference interest rate**
- **€45.2 million in investments, mainly in the fifth storage tank at the Zeebrugge LNG terminal**
- **Record activity levels at the Zeebrugge LNG terminal and a new long-term contract for unloading LNG carriers**
- **Transmission tariffs for 2020-2023 to decrease**
- **Practical steps to bring the energy transition forward: results as of today with natural gas while fully targeting green gas as well**
- **Objective of reducing our own greenhouse gas emissions by 50% by 2025: Fluxys Belgium switches to green gas for heating its buildings**

## 1.2 Key financial data

<b>Income statement</b>	<b>(in thousands of €)</b>	<b>30.06.2019</b>	<b>30.06.2019 (without IFRS 16)</b>	<b>30.06.2018</b>
Operating revenue		260,041	260,041	250,077
EBITDA*		145,537	142,689	135,081
EBIT*		60,964	60,396	58,936
Net profit		31,423	31,392	24,356
<b>Balance sheet</b>	<b>(in thousands of €)</b>	<b>30.06.2019</b>	<b>30.06.2019 (without IFRS 16)</b>	<b>31.12.2018</b>
Investments in property, plant and equipment		45,151	45,151	78,139
Total property, plant and equipment		2,155,392	2,155,392	2,181,771
Equity		619,958	619,927	687,156
Net financial debt*		879,310	919,654	881,932
Total consolidated balance sheet		2,881,711	-	2,914,902

\* See the definition of the indicators on page 62

**Increase in turnover and net profit.** The Fluxys Belgium group generated turnover of €260.0 million in the first half of 2019. This represents an increase of €9.9 million compared with the same period in 2018, when turnover stood at €250.1 million. Net profit rose from €24.3 million to €31.4 million. The change in regulated turnover and net profit is mainly due to the evolution of the different components to be covered by the regulated tariffs. As regards LNG terminalling, the regulated return increased because of the expansion investments in transshipment services at the Zeebrugge LNG terminal. This rise was partly offset by the drop in the OLO reference interest rate, which determines the regulated return for the other transmission, storage and LNG terminalling facilities. The average OLO rate expected for the first half of 2019 is 0.27%, compared with 0.75% in the first half of last year.

**Efficiency efforts in line with the regulated tariff model.** The tariff proposal for the 2016-2019 regulatory period sets out a reference framework for Fluxys Belgium, specifically for authorised manageable costs. By managing its operating costs and continuing its efficiency drive, the Fluxys Belgium group achieved these regulatory objectives and benefitted from incentives.

**€45.2 million in investments.** In the first half of 2019, investments in property, plant and equipment came to €45.2 million, compared with €52.9 million in the same period in 2018. Of this amount, €38.4 million went to LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal) and €5.6 million to transmission projects.

**Adoption of IFRS 16.** The adoption of IFRS 16 (Leases) has no material impact on the group's results as at 30 June 2019. The impact is documented in the condensed half-yearly financial statements (see Note 1.d).

## 1.3 Key events

**Record activity levels at the Zeebrugge LNG terminal.** The number of ships docking at the Zeebrugge LNG terminal was more than double the number that did so in the first half of 2018: 36 ships came to the terminal to unload their LNG and 10 for transshipment services, while 12 small vessels docked to be loaded with LNG. In the first half of the year, the volume of natural gas sent out into the transmission system from the terminal was more than three times the level in the first six months of last year. The commissioning of a second LNG-truck loading station also had a positive impact, with 1,081 trucks being loaded, compared with 650 in the first half of 2018. May was an all-time record month with no fewer than 13 ships docking at the terminal and 194 trucks loading LNG.

**New long-term contract for unloading LNG carriers.** In early September 2019, Qatar Terminal Limited on a long-term basis booked all the unloading slots for the existing capacity at the Zeebrugge LNG terminal as the current unloading contracts expire. This agreement, which runs until 2039 and can be extended until 2044, is the result of a subscription window held in the first half of the year for all interested market parties. In late June, the Belgian federal energy regulator, the Commission for Electricity and Gas Regulation (CREG), approved the accompanying tariff proposal and the draft LNG Services Agreement.

This new contract makes a major contribution to securing the long-term future of the Zeebrugge terminal and further strengthens its position as a versatile LNG gateway into Europe offering customers optimum destination flexibility. The terminal provides not only ample pipeline transmission take away capacity for delivery throughout North-West Europe but also a wide range of options for downstream small-scale LNG distribution.

**Natural gas transmission for the Belgian market up almost 4%.** Natural gas transmission volumes for Belgian market consumption were up almost 4% on the first half of 2018, from 98 to 101.5 TWh.

- There was a 17% increase in transmission volumes for natural gas-fired power plants, taking these volumes to 23.5 TWh.
- Offtake by directly connected industrial companies rose by almost 7% to 25.3 TWh.
- Transmission to distribution system operators stood at 52.8 TWh, down 2.6% on the first six months of 2018, reflecting the milder temperatures this year.

Border-to-border natural gas transmission volumes fell 10% vis-à-vis the same period last year to 127.5 TWh, mainly because of a sharp decrease in exports to the United Kingdom.



**Transmission tariffs for 2020-2023 to decrease.** In May, Belgian federal energy regulator CREG approved Fluxys Belgium's transmission tariff proposals for the next regulatory period (2020-2023). In line with the new tariff methodology established in consultation with CREG and the market players, the new transmission tariffs for an average Belgian consumer are around 5% lower than the indexed tariffs for 2019. The tariff decrease does not affect Fluxys Belgium's net profit and is a result of the company's sustained efficiency drive, lower interest rates and the restitution of past regulatory balances.

**Practical steps to bring the energy transition forward.** Fluxys Belgium is working hard to bring forward the energy transition towards a carbon-neutral economy with better air quality.

- **Results as of today with natural gas:** thanks to gas infrastructure, major steps can be taken as of today in terms of heating, mobility and industrial heat demand to reduce CO<sub>2</sub> emissions and air pollution immediately. Switching from petrol, diesel or fuel oil to natural gas cuts emissions of both particulate matter, sulphur oxides, nitrogen oxides and CO<sub>2</sub>. With this in mind, Fluxys Belgium is working with parent company Fluxys and other market parties to stimulate the use of natural gas as an alternative fuel for transport. Against this backdrop, during the first half of the year the number of vehicles running on compressed natural gas (CNG) in Belgium rose from 14,000 to 17,000, while more than 15 new CNG filling stations opened, taking the total to over 120. Meanwhile, the number of LNG filling stations for trucks doubled from 5 to 10. Furthermore, parent company Fluxys is teaming up with partner Titan LNG to build an LNG bunkering pontoon with a view to making LNG more widely available as a marine fuel in the Port of Antwerp and the surrounding area.
- **Meanwhile fully targeting green gas as well:** gas infrastructure and innovative gas technologies are instrumental in making steadily growing volumes of green gas available as an additional carbon-neutral energy source to homes and businesses. Green gas is a generic term. It may refer to biogas or biomethane from organic waste, green hydrogen or synthetic natural gas produced by converting green electricity. In this context, Fluxys Belgium is investigating the modalities for the inflow of new energy carriers such as biomethane and hydrogen into its existing infrastructure.

**Reducing greenhouse gas emissions from heating our buildings.** Fluxys Belgium has set the objective to cut its greenhouse gas emissions by 50% on 2017 levels by 2025. In September, the company switched to buying green gas (biomethane) to heat part of its administrative buildings. This reduces these buildings' CO<sub>2</sub> emissions by 90%. Purchasing green gas in Belgium is possible as a result of the system of green gas certificates developed last year by Fluxys Belgium, the Belgian gas federation gas.be and the distribution system operators.

## **1.4 Main risks and uncertainties for the second half of 2019**

The risks and uncertainties facing the Fluxys Belgium group have not changed significantly since the closing of the 2018 financial year (see the chapter on risk management in the 2018 annual financial report, pages 130-139). Fluxys Belgium continues to monitor developments, taking appropriate action accordingly.

## **1.5 Transactions with related parties**

For more information on transactions with related parties, please refer to Note 10 in the condensed half-yearly financial statements.

## 1.6 Financial outlook

Under the current tariff methodology, the net profit from Belgian regulated activities is 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. The current situation on the financial markets does not allow for accurate projections regarding changes to interest rates and therefore the return on regulated activities.



## **2 Condensed half-yearly financial statements of Fluxys Belgium and its subsidiaries consolidated under IFRS - 30 June 2019**



## **2.1 General information on the company**

### **2.1.1 Corporate name and registered office**

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

### **2.1.2 Group activities**

The main activities of the Fluxys Belgium group are transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. The Fluxys Belgium group also provides complementary services related to these main activities.

Please refer to the specific chapters in the 2018 Annual Report for further information on these activities.

## 2.2 Condensed IFRS financial statements of the Fluxys Belgium Group

### A. Condensed consolidated balance sheet

Condensed consolidated balance sheet		(In thousands of €)	
	Notes	30.06.2019	31.12.2018
<b>I. Non-current assets</b>		<b>2,337,339</b>	<b>2,321,691</b>
Property, plant and equipment	6	2,155,392	2,181,771
Intangible assets		36,373	39,862
Right-of-use assets	1d	41,072	0
Investments in associates and joint ventures		16	16
Other financial assets		94,022	77,525
Financial lease receivables		3,902	3,902
Other receivables		144	144
Other non-current assets		6,418	18,471
<b>II. Current assets</b>		<b>544,372</b>	<b>593,211</b>
Inventories		26,363	29,103
Financial lease receivables		299	690
Current tax receivable		1,741	6,280
Trade and other receivables		78,080	97,217
Short-term investments		53,689	53,279
Cash and cash equivalents		377,912	389,587
Other current assets		6,288	17,055
<b>Total assets</b>		<b>2,881,711</b>	<b>2,914,902</b>



<b>Condensed consolidated balance sheet</b>		<b>(In thousands of €)</b>	
	<b>Notes</b>	<b>30.06.2019</b>	<b>31.12.2018</b>
<b>I. Equity</b>		<b>619,958</b>	<b>687,156</b>
Equity attributable to the parent company's shareholders		619,958	687,156
<i>Share capital and share premiums</i>		60,310	60,310
<i>Retained earnings and other reserves</i>		559,648	626,846
Non-controlling interests		0	0
<b>II. Non-current liabilities</b>		<b>2,035,634</b>	<b>1,977,106</b>
Interest-bearing liabilities	7	1,791,077	1,723,831
Provisions		4,058	4,028
Provisions for employee benefits	8.1	62,643	58,819
Other non-current financial liabilities		3,122	1,794
Deferred tax liabilities		174,734	188,634
<b>III. Current liabilities</b>		<b>226,119</b>	<b>250,640</b>
Interest-bearing liabilities	7	125,555	158,004
Provisions		219	209
Provisions for employee benefits	8.1	1,961	3,844
Current tax payables		6,315	4,102
Trade and other payables		85,608	79,345
Other current liabilities		6,461	5,136
<b>Total liabilities and equity</b>		<b>2,881,711</b>	<b>2,914,902</b>

## B. Condensed consolidated income statement

Condensed consolidated income statement		(In thousands of €)	
	Notes	30.06.2019	30.06.2018
Operating revenue	4	260,041	250,077
Sales of gas related to balancing operations and operational needs		47,303	56,962
Other operating income		7,018	6,948
Consumables, merchandise and supplies used		-3,160	-1,172
Purchase of gas related to balancing of operations and operational needs		-47,307	-56,994
Miscellaneous goods and services	4	-61,343	-59,632
Employee expenses		-53,128	-55,336
Other operating expenses		-3,887	-5,772
Net depreciation	4	-78,360	-77,221
Net provisions		-744	1,076
Impairment losses	4	-5,469	0
<b>Operating profit/loss</b>		<b>60,964</b>	<b>58,936</b>
Change in the fair value of financial instruments		0	0
Financial income		453	406
Finance costs	4	-18,305	-23,834
<b>Profit/loss before tax</b>		<b>43,112</b>	<b>35,508</b>
Income tax expenses	4	-11,689	-11,152
<b>Net profit/loss for the period</b>	<b>4</b>	<b>31,423</b>	<b>24,356</b>
Fluxys Belgium share		31,423	24,356
Non-controlling interests		0	0
Basic earnings per share in €		0.4472	0.3466
Diluted earnings per share in €		0.4472	0.3466

### C. Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income		(In thousands of €)	
	Notes	30.06.2019	30.06.2018
<b>Net profit/loss for the period</b>		<b>31,423</b>	<b>24,356</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements employee benefits	8.1	-14,328	20,290
Income tax expenses on other comprehensive income		4,238	-5,322
<b>Other comprehensive income</b>		<b>-10,090</b>	<b>14,968</b>
<b>Comprehensive income for the period</b>		<b>21,333</b>	<b>39,324</b>
Fluxys Belgium share		21,333	39,324
Non-controlling interests		0	0

## D. Condensed consolidated statement of changes in equity

	Share capital	Share premium	Reserves not available for distribution
<b>I. Revised opening balance as at 01.01.2018</b>	<b>60,272</b>	<b>38</b>	<b>35,824</b>
1. Comprehensive income for the period			
2. Paid dividends			-9,904
<b>II. Closing balance as at 30.06.2018</b>	<b>60,272</b>	<b>38</b>	<b>25,920</b>
<b>III. Closing balance as at 31.12.2018</b>	<b>60,272</b>	<b>38</b>	<b>25,920</b>
1. Comprehensive income for the period			
2. Dividends paid			-9,905
<b>IV. Closing balance as at 30.06.2019</b>	<b>60,272</b>	<b>38</b>	<b>16,015</b>

(In thousands of €)

Retained earnings	Reserves for employee benefits	Other reserves	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
<b>591,824</b>	<b>-11,908</b>	<b>38,057</b>	<b>714,107</b>	<b>0</b>	<b>714,107</b>
24,356	14,968	0	39,324	0	39,324
-76,520	0	0	-86,424	0	-86,424
<b>539,660</b>	<b>3,060</b>	<b>38,057</b>	<b>667,007</b>	<b>0</b>	<b>667,007</b>
<b>569,773</b>	<b>-6,904</b>	<b>38,057</b>	<b>687,156</b>	<b>0</b>	<b>687,156</b>
31,423	-10,090	0	21,333	0	21,333
-78,626	0	0	-88,531	0	-88,531
<b>522,570</b>	<b>-16,994</b>	<b>38,057</b>	<b>619,958</b>	<b>0</b>	<b>619,958</b>

## E. Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows (indirect method)	(In thousands of €)	
	30.06.2019	30.06.2018
<b>I. Cash and cash equivalents, opening balance</b>	<b>389,587</b>	<b>320,573</b>
<b>II. Cash flows from operating activities</b>	<b>162,617</b>	<b>168,513</b>
1. Cash flows from operating activities	179,133	184,987
1.1. Operating profit/loss	60,964	58,936
1.2. Non cash adjustments	84,475	76,340
1.2.1. Depreciation	78,360	77,221
1.2.2. Provisions	744	-1,076
1.2.3. Impairment losses	5,469	0
1.2.4. Other non-cash adjustments	-98	195
1.3. Changes in working capital	33,694	49,711
1.3.1. Inventories	-2,729	-3,146
1.3.2. Tax receivables	2,221	-19
1.3.3. Trade and other receivables	19,137	32,028
1.3.4. Other current assets	8,577	7,917
1.3.5. Tax payables	30	5,489
1.3.6. Trade and other payables	5,133	3,154
1.3.7. Other current liabilities	1,325	4,287
1.3.8. Other changes in working capital	0	1
2. Cash flows relating to other operating activities	-16,516	-16,474
2.1. Current tax paid	-16,849	-17,063
2.2. Interests from investments, cash and cash equivalents	412	643
2.3. Other inflows (outflows) relating to other operating activities	-79	-54

<b>Condensed consolidated statement of cash flows (indirect method)</b>	<b>(In thousands of €)</b>	
	<b>30.06.2019</b>	<b>30.06.2018</b>
<b>III. Cash flows relating to investment activities</b>	<b>-60,563</b>	<b>344,902</b>
1. Acquisitions	-60,465	-43,718
1.1. Payments to acquire property, plant and equipment, and intangible assets	-45,293	-43,718
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	-15,172	0
2. Disposals	312	10,425
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	310	1,019
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	2	9,406
3. Dividends received classified as investment activities	0	0
4. Subsidies received	0	0
5. Increase (-) / Decrease (+) of cash investments	-410	378,195
<b>IV. Cash flows relating to financing activities</b>	<b>-113,730</b>	<b>-439,493</b>
1. Proceeds from cash flows from financing	58,040	63,494
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	391	1,715
1.4. Proceeds from other non-current assets	0	0
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	57,649	61,779

<b>Condensed consolidated statement of cash flows (indirect method)</b>	<b>(In thousands of €)</b>	
	<b>30.06.2019</b>	<b>30.06.2018</b>
2. Repayments relating to cash flows from financing	-71,660	-389,465
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of lease liabilities	-2,159	0
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-69,501	-389,465
3. Interests	-11,579	-27,098
3.1. Interest paid classified as financing	-11,614	-26,816
3.2. Interest received classified as financing	35	-282
4. Dividends paid	-88,531	-86,424
<b>V. Net change in cash and cash equivalents</b>	<b>-11,675</b>	<b>73,922</b>
<b>VI. Cash and cash equivalents, closing balance</b>	<b>377,912</b>	<b>394,495</b>



## **2.3 Selection of explanatory notes**

### **Note 1. General information**

#### **Note 1a. Statement of compliance with IFRS**

The condensed financial statements of Fluxys Belgium and its subsidiaries (the « group » or « the group Fluxys Belgium ») for the first half of 2019 have been established in accordance with the International Financial Reporting Standards, and in particular with the IAS 34 'Interim financial reporting' as adopted by the European Union, and have been subjected to a limited review by the statutory auditor.

They include a selection of explanatory notes and should be read in parallel with the consolidated financial statements of 31 December 2018.

All amounts are stated in thousands of euros.

#### **Note 1b. Judgement and use of estimates**

There have been no significant changes in the accounting estimates and judgements compared with the 2018 annual report.

#### **Note 1c. Date of authorisation for issue**

The Board of Directors of Fluxys Belgium SA authorised these half-yearly IFRS financial statements of Fluxys Belgium and its subsidiaries for issue on 25 September 2019.

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

The condensed interim financial statements ended 30 June 2019 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the financial year ended 31 December 2018, with the exception of the adoption of IFRS 16 - *Leases* on 1 January 2019, as detailed further on.

Several other amendments and interpretations apply for the first time in 2019 but do not have any impact on the group's condensed interim financial statements:

- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IFRS 9 - *Financial instruments - Prepayment Features with Negative Compensation*;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 *Employee benefits - Plan Amendment, Curtailment or Settlement*;
- *Annual improvements to IFRS (2015-2017 cycle)*.

The group has not proceeded with the early adoption of any other standard, interpretation or amendment that has been published but is not yet applicable.

### **A. IFRS 16 - Leases**

#### General impact of the application of IFRS 16

IFRS 16 *Leases* provides a complete model for the identification and accounting treatment of leases in financial statements. Since its application date on 1 January 2019, this standard replaces the standards in force on leases, including those of IAS 17 - *Leases*, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases, requiring lessees to identify all leases following a single balance sheet model similar to the one that prevailed for finance lease recognition under IAS 17.

The Fluxys Belgium group applied IFRS 16 on 1 January 2019 based on the modified retrospective method as proposed by the standard's transition provisions, by recognising the cumulative effect of initial application of this standard as an adjustment to the opening balance of retained earnings.

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

IFRS 16 defines a single model for the recognition of leases based on a new definition of 'lease', the main change of which relates to the notion of 'control'. To determine whether a lease confers the right to control the 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.

To determine the duration of the lease contract, any options for renewal or termination were considered as required under IFRS 16, taking into account the probability of exercising the option and only when it is under the control of the lessee.

#### Impact on recognition by lessees.

##### *Former operating leases*

IFRS 16 changes the method by which the group recognised leases that were formerly classified as operating leases based on IAS 17, and which were therefore recognised off-balance-sheet.

At the time of the first application of IFRS 16, for all leases that come under the new definition of 'lease', with the exceptions as stated below, the Fluxys Belgium group will:

- recognise the right-of-use assets and lease obligations in the consolidated financial statements, initially valued at the present value of future payments;
- recognise the depreciation of right-of-use assets in the consolidated income statement over the estimated duration of the contract;
- separate the total amount of fees paid into a principal that reduces the lease obligations, and a part representing the interest accounted for in the results.

For leases with a term not exceeding 12 months or contracts for low-value assets, the Fluxys Belgium group recognises a lease expense directly in the income statement in accordance with the exemption provided by IFRS 16.

#### **a. Impact of IFRS 16 on the financial statements of the Fluxys Belgium group.**

The group has leases encompassing sites, facilities and certain machines, as well as vehicles.

The group has valued lease assets for leases formerly classified as operating leases at the present value of the remaining rent payments, determined using the incremental borrowing rate. Lease liabilities came to €41,116k, as detailed below (situation as at 1 January 2019). The weighted incremental borrowing rate was 2.7%.

### **Impact on 1 January 2019**

On 1 January 2019, the liabilities concerned encompass:

- the group's sites for an amount of €31,679k and which constitute the transmission or LNG terminal facilities (Zeebrugge) built on sites for which the group has long-term concessions,
- technical facilities leased for more than one year: €5,013k and
- vehicles leased for more than one year: €4,424k.

The assets recognised as right-of-use assets for these contracts are equal to the liabilities before taking into consideration advance payments and contracts formerly classified as finance leases. Consequently, there is no impact on opening equity as at 1 January 2019.

### **Assets under finance lease**

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to economic ownership to the lessee.

Finance lease receivables include the contract relating to the Interconnector Zeebrugge Terminal (see Note 5.4 in the 2018 annual report). This agreement started in 1998 for an initial duration of 20 years. This duration was extended by 5 years pursuant to a request from the company IZT in March 2018. A variable interest rate (based on Euribor) is applied to this receivable. The recognition of this lease will not be affected by the first application of IFRS 16.

The following reconciliation of the opening balance of the lease liabilities as at 1 January 2019 is based on the operating lease commitments as at 31 December 2018.

			(In thousands of €)
Total of future minimum payments in respect of non-cancellable operating leases as at 31 December 2018 - Undiscounted (note 7.5 in the 2018 annual report)	A		50,466
Effect of discounting	B		-8,692
Contracts excluded from IFRS 16 (short-term and low-value)	C		-658
<b>Additional lease liabilities (discounted) as at 1 January 2019</b>	<b>A+B+C=D</b>		<b>41,116</b>

The following table presents the reclassifications and adjustments recognised on each item in the opening balance:

				(In thousands of €)
	31.12.2018	Impact of IFRS 16	1.01.2019	
<b>Assets</b>	<b>21,647</b>	<b>41,116</b>	<b>62,763</b>	
<b>Right-of- use assets</b>	<b>0</b>	<b>42,817</b>	<b>42,817</b>	
Non-current finance lease receivables	3,902	0	3,902	
Current finance lease receivables	690	0	690	
Other current assets (1)	17,055	-1,701	15,354	
<b>Interest liabilities</b>	<b>1,881,835</b>	<b>41,116</b>	<b>1,922,951</b>	
Non-current interest liabilities	1,723,831	38,397	1,762,228	
Current interest liabilities	158,004	2,719	160,723	
<b>Impact on equity</b>		<b>0</b>		

(1) Reclassification of advance payments for leases to right-of-use assets.

## **Impact of IFRS 16 on results and statement of cash flows as at 30 June 2019**

For the 6-month period ended 30 June 2019:

- depreciation charge increased by €2,280k following the depreciation of additional assets;
- lease costs reduced by €2,848k relating to former operating leases;
- increase of the interest charge of €568k following the interest charge on new recognised lease liabilities;
- impact of deferred taxes following the effects stated above.

In the statement of cash flows, repayments of liabilities relating to leases come to €2,159k as at 30 June 2019 (excluding interest).

For short-term leases (duration of 12 months or less) and low-value lease assets, the impact on results is not significant.

### **b. New accounting principles applied by the group as part of the adoption of IFRS 16.**

Every change or addition in comparison with the previous financial year is underlined.

#### **Definition of 'lease'**

A contract is or contains a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

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, throughout the period of use, it has the right to:

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

To determine the duration of the leases, any options for renewal or termination have been considered as required by IFRS 16 taking into account the probability of exercising the option and only if it is under the control of the lessee.

### ***1- The group as a lessee***

At the start of the lease, the lessee recognises a right-of-use asset and a lease liability.

#### **Right-of-use assets**

The group recognises right-of-use assets on the commencement date of the contract, i.e. the date on which the asset becomes available for use. These assets are valued at the initial cost of the lease liability minus depreciation and any impairment, adjusted to take into account any revaluations of the lease liability. The initial cost of the right-of-use assets includes the present value of the lease liability, the initial costs incurred by the lessee, rent payments made on the start date or before that date, minus any incentives obtained by the lessee. These assets are depreciated over the estimated lifetime of the underlying asset or over the duration of the contract if this period is shorter, unless the group is sufficiently certain of obtaining ownership of the asset at the end of the contract.

Right-of-use assets are presented separately from other assets as a different line under non-current assets.



### **Lease liabilities**

The lease liability is valued at the present value of the rent payments that have not yet been paid. The present value of the rent payments must be calculated using the interest rate implicit in the lease if it is possible to easily determine that rate. If not, the lessee must use its incremental borrowing rate.

The incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Over the duration of the contract, the lessee values the lease obligation as follows:

- by increasing the carrying amount to reflect the interest on the lease liabilities;
- by reducing the carrying amount to reflect the rent payments made;
- by revaluing the carrying amount to reflect the new value of the lease obligation or modifications to the lease.

Lease liabilities are presented in a separate line under current and non-current interest-bearing liabilities (see note 7).

### **Short-term leases and low-value leases**

For short-term leases (duration of 12 months or less), the Fluxys Belgium group recognises a lease expense.

To determine the criteria for a low-value lease, a threshold has been determined, with the exception of vehicles, which are included in the group of vehicles leased for more than one year without applying the value criteria.

## **Presentation**

In the statement of comprehensive income, the interest charge on the lease liability is presented separately from the depreciation charge that applies to the right-of-use asset.

In the statement of cash flows, the cash flows will be presented as follows:

- cash outflows relating to the principal of the lease liability and the interest paid, in the financing activities;
- rent payments for short-term leases, low-value leases and variable rent payments that have not been taken into account in the valuation of the lease obligations, in the operating activities.

### ***2- The group as a lessor***

The group leases out some facilities under finance lease as a lessor.

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to 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 received are apportioned between financial income and repayments 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 most pertinent criteria adopted is the following: a contract is considered a 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 inception of the lease contract.

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

## **Note 2. Seasonal nature of activities within the interim period**

Even though some transport services for example could be of a seasonal nature, the operating income from activities subject to the Gas Act is barely influenced by the seasonal nature of activities.

The operating income from these activities corresponds for the period pro rata with the estimated annual fair profit margin on invested capital.

This margin is reduced or supplemented by manageable cost variances resulting from taking into account an efficiency factor determined ex ante.

### **Note 3. Acquisitions, disposals and restructures**

#### **Consolidation scope**

The consolidation scope and percentage of interests in consolidated entities remained identical to those of 31 December 2018.

### **Note 4. Income statement and operating segments**

Fluxys Belgium and its subsidiaries carry out activities in the following operating segments: transmission, storage, LNG terminalling activities in Belgium and other activities.

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

Transmission activities comprise all operations subject to the Gas Act related to transmission in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage at Loenhout in Belgium.

Terminalling activities comprise all activities subject to the Gas Act related to the LNG terminal at Zeebrugge in Belgium.

The segment 'other activities' comprises other services rendered by Fluxys Belgium and its subsidiaries such as participating in the IZT and ZPT<sup>1</sup> terminals in Belgium and work for third parties.

---

<sup>1</sup> *Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)*

<b>Segment income statement at 30-06-2019</b>						<b>(In thousands of €)</b>
	<b>Transmission</b>	<b>Storage</b>	<b>Terminalling</b>	<b>Other</b>	<b>Inter-segment transfers</b>	<b>Total</b>
Operating revenue	178,693	14,837	66,262	9,656	-9,407	260,041
<i>Sales and services to external customers</i>	<i>177,035</i>	<i>16,496</i>	<i>53,470</i>	<i>6,110</i>	<i>0</i>	<i>253,111</i>
<i>Transactions with other sectors</i>	<i>438</i>	<i>4,410</i>	<i>1,013</i>	<i>3,546</i>	<i>-9,407</i>	<i>0</i>
<i>Operating revenue - Movements in regulatory assets and liabilities</i>	<i>1,220</i>	<i>-6,069</i>	<i>11,779</i>	<i>0</i>	<i>0</i>	<i>6,930</i>
Sales of gas related to balancing operations and operational needs	40,756	424	6,123	0	0	47,303
Other operating income	1,048	34	488	5,488	-40	7,018
Consumables, merchandise and supplies used	-1,071	0	-34	-2,055	0	-3,160
Purchase of gas related to balancing of operations and operational needs	-40,757	-424	-6,126	0	0	-47,307
Miscellaneous goods and services	-48,621	-2,858	-13,861	-5,450	9,447	-61,343
Employee expenses	-38,327	-3,337	-9,020	-2,444	0	-53,128
Other operating expenses	-3,120	-296	-356	-115	0	-3,887
Net depreciation	-56,360	-5,302	-16,565	-133	0	-78,360
Provisions for risks and charges	233	22	-6	-993	0	-744
Impairment losses	-4,132	0	-1,346	9	0	-5,469
<b>Operating Profit/loss</b>	<b>28,342</b>	<b>3,100</b>	<b>25,559</b>	<b>3,963</b>	<b>0</b>	<b>60,964</b>
Financial income	5	1	0	447		453
Finance costs	-12,716	-1,430	-2,987	-1,172		-18,305
<b>Profit/loss before tax</b>	<b>15,631</b>	<b>1,671</b>	<b>22,572</b>	<b>3,238</b>	<b>0</b>	<b>43,112</b>
Income tax expenses						-11,689
<b>Net profit/loss for the period</b>						<b>31,423</b>

Operating revenue for the first half of 2019 amounted to €260,041 thousand, compared with €250,077 thousand for the first half of 2018, an increase of €9,964 thousand.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act. Revenue from these services aims to ensure an authorised return on capital invested and to cover permitted depreciation and the operating expenses related to these services, while integrating the productivity efforts to be accomplished by the network operator.

Revenue from regulated activities<sup>2</sup> was €253,931 thousand (which is 97.7% of the total). This represents an increase of €9,504 thousand as compared with the same period in 2018. The evolution of the regulated revenue can primarily be explained by the additional return on investment for the expansion of the LNG terminal, remunerated via an IRR (Internal Rate of Return) formula. This increase is attenuated by a reduction in the OLO reference rates for investments remunerated via RAB x WACC.

The evolution of a range of services and goods in the first half of 2019 can be explained by inflation, and by the increase in electricity costs in the LNG terminal because of increased usage, an increase in cross-border capacity and a slight increase in maintenance costs. Efficiency efforts realised by the group have allowed Fluxys Belgium to be in line with the terms of reference set for the regulatory period 2016-2019 and even to realise efficiency gains.

Depreciation charges over the period are slightly up. This can be explained by the implementation of IFRS 16 (additional depreciation of €2,280 thousand), partially compensated for by the method of depreciation on a declining basis used for certain assets as well as by other assets which have been completely depreciated.

The impairment losses of €5,469 thousand are linked to the revaluation of gas inventory following a decline in the market price. This cost is neutral for the net result.

---

<sup>2</sup> After eliminating transactions with other sectors

Finance costs are down from €23,834 thousand to €18,305 thousand. This decrease can primarily be explained by the early refinancing of a bond generating additional interests in the first half of 2018.

The reduction in tax rates in Luxembourg and a reduction in non-deductible expenses in Belgium generate a positive impact on the taxes, compared with the same period in 2018.

The net profit for the first half of 2019 was €31,423 thousand compared to €24,356 thousand in the first half of 2018. This increase of €7,067 thousand can mainly be explained by the profit from regulated activities as explained above.

<b>Segment income statement at 30.06-2018</b>						<b>(In thousands of €)</b>
	<b>Transmission</b>	<b>Storage</b>	<b>Terminal -ling</b>	<b>Other</b>	<b>Inter- segment transfers</b>	<b>Total</b>
Operating revenue	183,672	16,267	50,227	9,357	-9,446	250,077
<i>Sales and services to external customers</i>	<i>195,234</i>	<i>14,409</i>	<i>52,520</i>	<i>5,650</i>	<i>0</i>	<i>267,813</i>
<i>Transactions with other sectors</i>	<i>426</i>	<i>4,309</i>	<i>1,004</i>	<i>3,707</i>	<i>-9,446</i>	<i>0</i>
<i>Operating revenue - Movements in regulatory assets and liabilities</i>	<i>-11,988</i>	<i>-2,451</i>	<i>-3,297</i>	<i>0</i>	<i>0</i>	<i>-17,736</i>
Sales of gas related to balancing operations and operational needs	54,626	412	1,924	0	0	56,962
Other operating income	1,375	57	391	5,158	-33	6,948
Consumables, merchandise and supplies used	-331	-83	-8	-750	0	-1,172
Purchase of gas related to balancing of operations and operational needs	-54,655	-412	-1,927	0	0	-56,994
Miscellaneous goods and services	-48,262	-3,226	-13,556	-4,067	9,479	-59,632
Employee expenses	-40,600	-3,664	-8,578	-2,494	0	-55,336
Other operating expenses	-3,131	-293	-2,220	-128	0	-5,772
Net depreciation	-56,791	-5,378	-14,961	-91	0	-77,221
Provisions for risks and charges	354	21	87	614	0	1,076
Impairment losses	0	0	0	0	0	0
<b>Operating Profit/loss</b>	<b>36,257</b>	<b>3,701</b>	<b>11,379</b>	<b>7,599</b>	<b>0</b>	<b>58,936</b>
Financial income	190	21	7	188	0	406
Finance costs	-17,509	-1,956	-3,133	-1,236	0	-23,834
<b>Profit/loss before tax</b>	<b>18,938</b>	<b>1,766</b>	<b>8,253</b>	<b>6,551</b>	<b>0</b>	<b>35,508</b>
Income tax expenses						-11,152
<b>Net profit/loss for the period</b>						<b>24,356</b>





## Note 5. Segment balance sheet

Segment balance sheet at 30-06-2019						(In thousands of €)
	Trans- mission	Storage	Termi- nalling	Other	Un- allocated	Total
Property, plant and equipment	1,406,143	153,736	595,019	494	0	2,155,392
Intangible assets	35,123	7	1,243	0	0	36,373
Right-of-use assets	12,723	349	28,001	0	0	41,072
Other non-current financial assets	84	0	0	93,938	0	94,022
Inventories	20,659	3,045	2,154	505	0	26,363
Financial lease receivables	0	0	0	4,201	0	4,201
Net trade receivables	57,708	3,717	3,494	8,432	0	73,351
Other assets					450,936	450,936
						<b>2,881,711</b>
Interest-bearing liabilities	1,024,219	115,678	459,512	317,223	0	1,916,632
Other financial liabilities	0	0	17	3,105	0	3,122
Other liabilities					341,999	341,999
						<b>2,261,753</b>
Equity						619,958
						<b>2,881,711</b>
Investments in property, plant and equipment for the period	5,647	1,091	38,406	7	0	45,151
Investments in intangible assets for the period	1,272	0	0	0	0	1,272

<b>Segment balance sheet at 31-12-2018</b>						<b>(In thousands of €)</b>
	<b>Trans-mission</b>	<b>Storage</b>	<b>Termi-nalling</b>	<b>Other</b>	<b>Un-allocated</b>	<b>Total</b>
Property, plant and equipment	1,451,605	157,928	571,717	521	0	2,181,771
Intangible assets	38,454	8	1,400	0	0	39,862
Other non-current financial assets	85	0	0	77,440	0	77,525
Inventories	24,457	2,989	1,427	230	0	29,103
Financial lease receivables	0	0	0	4,592	0	4,592
Net trade receivables	74,186	2,640	3,138	14,087	0	94,051
Other assets					487,998	487,998
						<b>2,914,902</b>
Interest-bearing liabilities	1,079,635	120,921	446,161	235,118	0	1,881,835
Other financial liabilities	0	0	10	1,784	0	1,794
Other liabilities					344,117	344,117
						<b>2,227,746</b>
Equity						687,156
						<b>2,914,902</b>
Investments in property, plant and equipment for the period	17,793	774	59,494	78	0	78,139
Investments in intangible assets for the period	2,782	9	1,325	0	0	4,116

## Note 6. Property, plant and equipment

<b>Movements in property, plant and equipment</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Natural gas transmission networks*</b>	<b>Gas storage*</b>
<b>Gross book value</b>				
<b>As at 31-12-2017</b>	<b>47,530</b>	<b>160,700</b>	<b>3,423,165</b>	<b>381,061</b>
Investments	124	188	9,653	604
Subsidies received	0	0	0	0
Disposals and retirements	-73	0	-776	0
Internal transfers	0	77	3,489	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
<b>As at 31-12-2018</b>	<b>47,581</b>	<b>160,965</b>	<b>3,435,531</b>	<b>381,665</b>
Investments	596	30	2,416	87
Subsidies received	0	0	0	0
Disposals and retirements	-19	-16	-323	0
Internal transfers	0	38	1,248	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
<b>As at 30-06-2019</b>	<b>48,158</b>	<b>161,017</b>	<b>3,438,872</b>	<b>381,752</b>

*\*subject to the Gas Act.*

In the first half 2019, Fluxys Belgium and its subsidiaries proceeded with investments for €45,151 thousand, of which €38,406 thousand were allocated to LNG infrastructure projects (mainly the construction of the fifth tank at the Zeebrugge LNG Terminal), €5,647 thousand to projects associated with the transmission activity and €1,091 thousand to projects associated with the storage activity.

(In thousands of €)				
LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>1,144,680</b>	<b>43,475</b>	<b>58,840</b>	<b>177,641</b>	<b>5,437,092</b>
2,162	33	5,706	59,669	78,139
0	0	0	0	0
-10	0	-7,921	0	-8,780
2,850	0	0	-6,416	0
0	0	0	0	0
0	0	0	0	0
<b>1,149,682</b>	<b>43,508</b>	<b>56,625</b>	<b>230,894</b>	<b>5,506,451</b>
930	2	1,729	39,361	45,151
0	0	0	0	0
0	0	-84	0	-442
0	0	0	-1,286	0
0	0	0	0	0
0	0	0	0	0
<b>1,150,612</b>	<b>43,510</b>	<b>58,270</b>	<b>268,969</b>	<b>5,551,160</b>

<b>Movements in property, plant and equipment</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Natural gas transmission networks*</b>	<b>Natural gas storage*</b>
<b>Depreciation and impairment losses</b>				
<b>As at 31-12-2017</b>	<b>0</b>	<b>-87,434</b>	<b>-2,005,460</b>	<b>-219,958</b>
Depreciation	0	-3,107	-97,696	-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	0	0
<b>As at 31-12-2018</b>	<b>0</b>	<b>-90,541</b>	<b>-2,103,088</b>	<b>-230,536</b>
Depreciation	0	4,647	-53,742	-5,196
Disposals and retirements	0	16	194	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	0	0
<b>As at 30-06-2019</b>	<b>0</b>	<b>-85,878</b>	<b>-2,156,636</b>	<b>-235,732</b>
<b>Net book values as at 30-06-2019</b>	<b>48,158</b>	<b>75,139</b>	<b>1,282,236</b>	<b>146,020</b>
<b>Net book values as at 31-12-2018</b>	<b>47,581</b>	<b>70,424</b>	<b>1,332,443</b>	<b>151,129</b>

\* Installations subject to the Gas Act.

The depreciation charge for the period amounts to € 71.319 thousand and reflects the rate at which Fluxys Belgium and its subsidiaries expect to consume the economic benefits of the property, plant and equipment.

(In thousands of €)				
LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
<b>-786,732</b>	<b>-43,139</b>	<b>-43,710</b>	<b>0</b>	<b>-3,186,433</b>
-29,043	-66	-5,575	0	-146,065
6	0	7,744	0	7,818
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<b>-815,769</b>	<b>-43,205</b>	<b>-41,541</b>	<b>0</b>	<b>-3,324,680</b>
-14,635	-31	-2,362	0	-71,319
0	0	21	0	231
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<b>-830,404</b>	<b>-43,236</b>	<b>-43,882</b>	<b>0</b>	<b>-3,395,768</b>
<b>320,208</b>	<b>274</b>	<b>14,388</b>	<b>268,969</b>	<b>2,155,392</b>
<b>333,913</b>	<b>303</b>	<b>15,084</b>	<b>230,894</b>	<b>2,181,771</b>

On the balance sheet date, Fluxys Belgium and its subsidiaries have not identified any indication or event that could lead to the consideration that any item of property, plant and equipment may have been impaired.

## Note 7. Interest-bearing liabilities

<b>Non-current interest-bearing liabilities</b>	<b>(In thousands of €)</b>		
	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>Change</b>
Leases	39,086	0	39,086
Bonds	695,488	695,276	212
Other borrowings	543,000	543,000	0
Other financing	95,343	95,343	0
Other liabilities	418,160	390,212	27,948
<b>Total</b>	<b>1,791,077</b>	<b>1,723,831</b>	<b>67,246</b>

  

<b>Current interest-bearing liabilities</b>	<b>(In thousands of €)</b>		
	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>Change</b>
Leases	1,258	0	1,258
Bonds	10,736	2,523	8,213
Other borrowings	21,901	30,017	-8,116
Other financing	15,048	30,097	-15,049
Other liabilities	76,612	95,367	-18,755
<b>Total</b>	<b>125,555</b>	<b>158,004</b>	<b>-32,449</b>

The net increase of €34,797 thousand in interest-bearing liabilities is primarily linked to the implementation of IFRS 16 - *Leases* (see note 1d).



<b>Changes in liabilities based on financing activities</b>							<b>(in thousands of euros)</b>	
	<b>31.12.2018</b>	<b>Cash flows</b>	<b>Other movements</b>			<b>30.06.2019</b>		
			<b>New lease contracts</b>	<b>Variation in accrued interests</b>	<b>Amortisation of issuance costs</b>	<b>Impact of IFRS 16 on 01.01.2019</b>	<b>Total</b>	
<b>Non-current interest-bearing liabilities</b>	<b>1,723,831</b>	<b>27,948</b>	<b>689</b>	<b>0</b>	<b>212</b>	<b>38,397</b>	<b>1,791,077</b>	
Leases	0	0	689	0	0	38,397	39,086	
Bonds	695,276	0	0	0	212	0	695,488	
Other borrowings	543,000	0	0	0	0	0	543,000	
Other financing	95,343	0	0	0	0	0	95,343	
Other liabilities	390,212	27,948	0	0	0	0	418,160	
<b>Current interest-bearing liabilities</b>	<b>158,004</b>	<b>-42,527</b>	<b>698</b>	<b>6,662</b>	<b>0</b>	<b>2,719</b>	<b>125,555</b>	
Leases	0	-2,726	698	568	0	2,719	1,258	
Bonds	2,523	0	0	8,213	0	0	10,736	
Other borrowings	30,017	-5,997	0	-2,119	0	0	21,901	
Other financing	30,097	-15,049	0	0	0	0	15,048	
Other liabilities	95,367	-18,755	0	0	0	0	76,612	
<b>Total</b>	<b>1,881,835</b>	<b>-14,579</b>	<b>1,387</b>	<b>6,662</b>	<b>212</b>	<b>41,116</b>	<b>1,916,632</b>	

The impact of IFRS 16 is described in Note 1d.

Cash flows for interest-bearing liabilities are included in points IV.1.6, 2.3 and 2.5 of the condensed consolidated statement of cash flows. The remaining €568 thousand is linked to the interest paid on leases included in line 3.1.

The variation in interest to be paid and the amortisation of emission expenses (excluding leases because the interest is already paid in the period itself) corresponds to the difference between interest paid (see point IV.3.1 of the condensed consolidated statement of cash flows - €11,614 thousand) and interest charges on debts (€17,919 thousand).

## Note 8. Provisions

### 8.1. Provisions for employee benefits

<b>Provisions for employee benefits</b>	<b>(In thousands of €)</b>
<b>Provisions at 31-12-2018</b>	<b>62,663</b>
Additions	4,193
Use	-3,462
Release	0
Unwinding of the discount	1,680
Actuarial gains/losses recognised in the profit/loss (seniority bonuses)	-102
Expected return	-1,306
Actuarial gains/losses recognised in equity	14,328
Reclassification to assets	-13,390
<b>Provisions as at 30-06-2019 of which:</b>	<b>64,604</b>
Non-current provisions	62,643
Current provisions	1,961

The cost of services rendered during the period is accounted for as employee expenses and in the net provisions.

Expenses relating to the effects of discounts are presented as an offset against the expected return on plan assets. The expected return on plan assets is in line with the discount rate used to determine actuarial debt.

Defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated commitments for these plans as at 30.06.2019. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (€3.8 million compared to €15.9 million as at 31.12.2018) and 'Other current assets' (€0.4 million compared to €1.8 million as at 31.12.2018). These surpluses are recovered over the duration of the pension plans. The decrease in plan assets can be explained by an amendment to the financing policy from July 2018 and by a reduction in discount rates in the first half of 2019.

## **Note 9. Contingent assets and liabilities – rights and commitments of Fluxys Belgium and its subsidiaries**

There is no significant evolution to report in terms of contingent assets and liabilities & rights and commitments. Please refer to Note 7 'Contingent assets and liabilities – rights and commitments of the group' in the IFRS financial statements of the 2018 annual report.

## **Note 10. Significant transactions with related parties**

Fluxys Belgium and its subsidiaries are controlled by Fluxys, which is itself controlled by Publigas.

The consolidated financial statements include transactions performed by Fluxys Belgium and its subsidiaries in the normal course of their activities with unconsolidated related companies or associates. These transactions take place under market conditions and mainly involve transactions realised with Fluxys (IT and housing services, and centralised management of the Group's cash funds and financing), Interconnector (UK) (inspection and repair services), IZT (IZT lease and installation operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), Balansys (balancing operator).

<b>Significant transactions with related parties as at 30-06-2019</b>				<b>(In thousands of €)</b>	
	<b>Parent company</b>	<b>Joint arrangements</b>	<b>Associates<sup>3</sup></b>	<b>Other related parties</b>	<b>Total</b>
<b>I. Assets with related parties</b>	<b>354,730</b>	<b>0</b>	<b>491</b>	<b>5,556</b>	<b>360,597</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1.1. Securities other than shares	0	0	0	0	0
1.2. Loans	0	0	0	0	0
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,601</b>	<b>3,601</b>
2.1. Finance leases	0	0	0	3,601	3,601
<b>3. Trade and other receivables</b>	<b>0</b>	<b>0</b>	<b>491</b>	<b>1,937</b>	<b>2,428</b>
3.1. Clients	0	0	491	1,638	2,129
3.2. Finance leases	0	0	0	299	299
3.3. Other receivables	0	0	0	0	0
<b>4. Cash and cash equivalents</b>	<b>354,730</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>354,730</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>18</b>
<b>II. Liabilities with related parties</b>	<b>259,547</b>	<b>0</b>	<b>0</b>	<b>111</b>	<b>259,658</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>259,079</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,079</b>
1.1. Other borrowings	259,079	0	0	0	259,079
<b>2. Trade and other payables</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>
2.1. Suppliers	0	0	0	0	0
2.2. Other payables	32	0	0	0	32
<b>3. Other current liabilities</b>	<b>436</b>	<b>0</b>	<b>0</b>	<b>111</b>	<b>547</b>
<b>III. Transactions with related parties</b>					
<b>1. Services rendered and goods delivered</b>	<b>1,593</b>	<b>0</b>	<b>91</b>	<b>4,957</b>	<b>6,641</b>
<b>2. Services received (-)</b>	<b>-578</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-578</b>
<b>3. Financial profit/loss</b>	<b>-4,136</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,136</b>

<sup>3</sup> Associated entities to Fluxys SA, parent entity of the Fluxys Belgium group.

<b>Significant transactions with related parties as at 31-12-2018</b>					<b>(In thousands of €)</b>
	<b>Parent company</b>	<b>Joint arrangements</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Total</b>
<b>I. Assets with related parties</b>	<b>353,785</b>	<b>0</b>	<b>419</b>	<b>6,180</b>	<b>360,384</b>
<b>1. Other financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1.1. Securities other than shares	0	0	0	0	0
1.2. Loans	0	0	0	0	0
<b>2. Other non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,902</b>	<b>3,902</b>
2.1. Finance leases	0	0	0	3,902	3,902
2.2. Other non-current receivables	0	0	0	0	0
<b>3. Trade and other receivables</b>	<b>1,845</b>	<b>0</b>	<b>419</b>	<b>2,260</b>	<b>4,524</b>
3.1. Clients	1,845	0	419	1,570	3,834
3.2. Finance leases	0	0	0	690	690
3.3. Other receivables	0	0	0	0	0
<b>4. Cash and cash equivalents</b>	<b>351,940</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>351,940</b>
<b>5. Other current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>18</b>
<b>II. Liabilities with related parties</b>	<b>263,364</b>	<b>0</b>	<b>272</b>	<b>480</b>	<b>264,116</b>
<b>1. Interest-bearing liabilities (current and non-current)</b>	<b>263,330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>263,330</b>
1.1. Other borrowings	263,330	0	0	0	263,330
<b>2. Trade and other payables</b>	<b>32</b>	<b>0</b>	<b>272</b>	<b>18</b>	<b>322</b>
2.1. Suppliers	0	0	272	18	290
2.2. Other payables	32	0	0	0	32
<b>3. Other current liabilities</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>462</b>	<b>464</b>
<b>III. Transactions with related parties</b>					
<b>1. Services rendered and goods delivered</b>	<b>7,265</b>	<b>0</b>	<b>180</b>	<b>6,205</b>	<b>13,650</b>
<b>2. Services received (-)</b>	<b>-1,281</b>	<b>0</b>	<b>-594</b>	<b>0</b>	<b>-1,875</b>
<b>3. Financial profit/loss</b>	<b>-5,428</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>-5,425</b>

## Note 11. Financial instruments

The group's main financial instruments consist of financial and trade receivables and payables, cash investments, cash and cash equivalents.

The following table gives an overview of financial instruments as at 30 June 2019:

Summary of financial instruments at balance sheet 30-06-2019			(In thousands of €)	
	Category	Book value	Fair value	Level
<b>I. Non-current assets</b>				
Other financial assets at amortized cost	A	90,901	91,497	1 & 2
Other financial assets at fair value through profit and loss	B	3,121	3,121	2
Finance lease receivables	A	3,902	3,902	2
Other receivables	A	144	144	2
<b>II. Current assets</b>				
Financial lease receivables	A	299	299	2
Trade and other receivables	A	78,080	78,080	2
Cash investments	A	53,689	53,689	2
Cash and cash equivalents	A	377,912	377,912	2
<b>Total financial instruments – assets</b>		<b>608,048</b>	<b>608,644</b>	
<b>I. Non-current liabilities</b>				
Interest-bearing liabilities	A	1,791,077	1,843,496	2
Other financial liabilities	B	3,122	3,122	2
<b>II. Current liabilities</b>				
Interest-bearing liabilities	A	125,555	125,555	2
Trade and other payables	A	85,608	85,608	2
<b>Total financial instruments - liabilities</b>		<b>2,005,362</b>	<b>2,057,781</b>	



<b>Summary of financial instruments at balance sheet</b>		<b>(In thousands of €)</b>		
<b>31-12-2018</b>	<b>Category</b>	<b>Book value</b>	<b>Fair value</b>	<b>Level</b>
<b>I. Non-current assets</b>				
Other financial assets at amortized cost	A	75,731	75,731	1 & 2
Other financial assets at fair value through profit and loss	B	1,794	1,794	2
Finance lease receivables	A	3,902	3,902	2
Other receivables	A	144	144	2
<b>II. Current assets</b>				
Financial lease receivables	A	690	690	2
Trade and other receivables	A	97,217	97,217	2
Cash investments	A	53,279	53,279	2
Cash and cash equivalents	A	389,587	389,587	2
<b>Total financial instruments – assets</b>		<b>622,344</b>	<b>622,344</b>	
<b>I. Non-current liabilities</b>				
Interest-bearing liabilities	A	1,723,831	1,745,664	2
Other financial liabilities	B	1,794	1,794	2
<b>II. Current liabilities</b>				
Interest-bearing liabilities	A	158,004	158,004	2
Trade and other payables	A	79,345	79,345	2
<b>Total financial instruments - liabilities</b>		<b>1,962,974</b>	<b>1,984,807</b>	

The categories correspond to the following financial instruments:

- A. Financial assets or financial liabilities at amortised cost.
- B. Assets or liabilities at fair value through profit or loss

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 issued by Fluxys Belgium, whose fair value is determined based on active market rates, usually provided by financial institutions.
- The fair value of other Level 2 financial assets and liabilities 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 12. Events after the balance sheet date**

No events with a material impact on the financial statements submitted occurred after the balance sheet date.

## 2.4 Statutory auditor's report

Report of the statutory auditor of Fluxys Belgium NV on the review of the interim condensed consolidated financial statements as of 30 June 2019 and for the 6 month period then ended

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Fluxys Belgium NV (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2019 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated statement of financial position total of € 2,881,711 thousand and a consolidated profit for the 6 month period then ended of € 31,423 thousand. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

### Scope of Review

We conducted our review in accordance the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material aspects, in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

Diegem, 25 September 2019

Ernst & Young Bedrijfsrevisoren CVBA  
Statutory auditor  
represented by  
Marnix Van Dooren \*  
Partner

\*Acting on behalf of a BVBA/SPRL

Ernst & Young Bedrijfsrevisoren CVBA  
Statutory auditor  
represented by  
Wim Van Gasse \*  
Partner

\*Acting on behalf of a BVBA/SPRL

### **3 Definition of indicators**

#### **EBIT**

Earnings Before Interests and Taxes or operating profit/loss , 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 operating profit/loss, 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 net of regulatory debt, cash from early refinancing transactions and 75% of the balance of cash, cash equivalents and short and long-term cash investments.

IFRS 16 *Leases*, applicable from 1 January 2019, has an impact on the indicators stated below. In order to have indicators that are able to be compared to those of 2018, the 2019 indicators are presented before and after the impact of IFRS 16.

<b>Consolidated income statement in thousands of euros</b>	<b>30.06.2019</b>	<b>30.06.2019 (Without IFRS16)</b>	<b>30.06.2018</b>	<b>Notes</b>
Operating profit/loss	60,964	60,396	58,936	4
Net depreciation	78,360	76,080	77,221	4
Net provisions	744	744	-1,076	4
Impairment losses	5,469	5,469	0	4
Earnings from associates and joint ventures	0	0	0	4
Dividends from unconsolidated companies	0	0	0	4
<b>EBITDA in thousands of euros</b>	<b>145,537</b>	<b>142,689</b>	<b>135,081</b>	

<b>Consolidated income statement in thousands of euros</b>	<b>30.06.2019</b>	<b>30.06.2019 (Without IFRS16)</b>	<b>30.06.2018</b>	<b>Notes</b>
Operating profit/loss	60,964	60,964	58,936	4
Earnings from associates and joint ventures	0	0	0	4
Dividends from unconsolidated companies	0	0	0	4
Interest on lease contracts	0	-568	0	
<b>EBIT in thousands of euros</b>	<b>60,964</b>	<b>60,396</b>	<b>58,936</b>	

<b>Consolidated balance sheet in thousands of euros</b>	<b>30.06.2019</b>	<b>30.06.2019 (Without IFRS16)</b>	<b>31.12.2018</b>	<b>Notes</b>
Non-current interest-bearing liabilities	1,791,077	1,751,991	1,723,831	7
Current interest-bearing liabilities	125,555	124,297	158,004	7
Other financing (current)	-15,048	-15,048	-30,097	7
Other financing (non-current)	-95,343	-95,343	-95,343	7
Other liabilities (current)	-76,612	-76,612	-95,367	7
Other liabilities (non-current)	-418,160	-418,160	-390,212	7
Term deposits (75%)	-40,267	-40,267	-39,959	2.2
Cash and cash equivalents (75%)	-283,434	-283,434	-292,190	2.2
Other financial assets (75%)	-68,114	-68,114	-56,735	2.2
<b>Net financial debt in thousands of euros</b>	<b>919,654</b>	<b>879,310</b>	<b>881,932</b>	



**Fluxys Belgium NV/SA**

**Registered office** – Avenue des Arts 31 – 1040 Brussels

**Tel.** +32 2 282 72 11 – **Fax** +32 2 282 02 39 – [www.fluxys.com/belgium](http://www.fluxys.com/belgium)

**VAT** BE 0402.954.628 – **Brussels Trade Register** – D/2019/9484/9