ANNUAL FINANCIAL REPORT 2018

FLUXYS BELGIUM

FLUXYS

Our mission

As an independent gas infrastructure company, Fluxys Belgium contributes to a sustainable energy future and our passionate teams secure reliable and affordable energy flows into the market.

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

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

Two major assets are of the essence in delivering on our role in society.
Our experienced and passionate teams are our first asset: they are the source of the commitment and creativity we need to be successful in the ever-changing world of energy. Our independence is our second asset. As we have no interests in the generation or supply of energy, we focus entirely on the public interest of our infrastructure.

Contents

**Chapters 3, 5, 6 and 8 are part of the annual report as noted in articles 96 and 119 of the Company Code*

1. KEY FIGURES AND HIGHLIGHTS

0

Unplanned interruptions of transmission capacity

>> Page 63

€3.14 billion

Regulated asset base

(2017: €3.17 billion)

€78 million

Investments in infrastructure

(2017: €83 million)

>> Page 72

Fluxys Belgium 2018

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Transmission: greenhouse gas emissions per quantity of gas transported (compared to 2017)

>> Page 99

€1.26

Gross dividend per share

(2017: €1.23)

>> Page 53

x 1.37

LNG terminalling: greenhouse gas emissions per quantity of LNG regasified (compared to 2017)

>> Page 100

737 men

157 women

>> The Fluxys Belgium grid once again proves its robustness

During Belgium's cold spell between late February and early March, our system showed the resilience needed to keep prices on the wholesale market competitive. Furthermore, our grid was once again ready to cover peak demand from gas-fired power stations.

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>> Sharp increase in terminalling of large volumes of LNG at Zeebrugge facility

Almost twice as many vessels unloaded LNG compared to 2017, and the new transshipment service got off to a strong start.

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>> Natural gas for transport on the rise

The number of CNG vehicles in Belgium increased by 60% and the number of CNG filling stations rose to more than 100. As for shipping, the order book for LNG-powered vessels is filling up.

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>> First step towards green gas for consumers

Fluxys Belgium teamed up with gas federation Gas.be and distribution system operators to set up a system of green gas certificates that would allow consumers in Belgium to buy green gas just as they buy green electricity.

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>> Fluxys Belgium: 50% reduction in greenhouse gas emissions by 2025

Fluxys Belgium is still striving to reduce its footprint and has given itself to 2025 to cut its greenhouse gas emissions by 50% on 2017 levels.

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2. MESSAGE FROM THE CHAIRMEN: RESOLUTELY LOOKING TO THE FUTURE

Fluxys Belgium has a key role to play in the Belgian energy landscape, both now and in the future. We ensure the reliable influx of over a quarter of the primary energy Belgium needs by utilising particularly cost-efficient infrastructure that offers crucial value as a system in the development of a carbon-neutral economy with better air quality. The energy we transport, namely natural gas, has the best emissions profile of any fossil fuel and is therefore essential to move the energy transition forward. We are also accommodating the inflow of green gas, which will further cut greenhouse gas emissions.

2018 was again a strong year for the company. Our infrastructure demonstrated its operational strength, we developed new services, improved our customer approach, decreased our transmission tariffs, and we propose a dividend in line with the positive evolution in profits. We also saw good progress regarding the inflow of green gas into the Belgian gas system, and Fluxys Belgium set itself the target of reducing its greenhouse gas emissions by 50% on 2017 levels by 2025.

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

As for **corporate social responsibility**, in 2018 Fluxys Belgium thourgh its integrated policy managed to fulfil the wide range of expectations held by stakeholders in its activities.

"OUR NETWORK WAS ONCE AGAIN READY TO COVER PEAK DEMAND FROM GAS-FIRED POWER STATIONS TO MEET BELGIUM'S POWER GENERATION NEEDS."

First of all, Fluxys Belgium once again demonstrated its **operational** strength. Our infrastructure was fully available at all times to meet demand for capacity from our customers and thus to supply end users in Belgium and its neighbouring countries.Our network for instance was once again ready to cover peak demand from gas-fired power stations to meet Belgium's power generation needs.

The evolution in border-to-border transmission capacity sales was a core element in our **cooperation with our customers**. Customers wanting to book additional capacity or coming to the end of their long-term contracts prefer to opt for short-term contracts. Fluxys Belgium has honed its sales structure and customer approach in order to best respond to this short-term dynamic, and will continue its efforts to this end this year. In light of this short term environment, the new tariff methodology developed by the federal energy regulator CREG together with Fluxys Belgium for the period 2020-2023 will further boost the competitiveness of our offer and lay the foundations for an improved allowed return.

In 2018 we also began offering our customers the option of direct ship-to-ship transfers at the Zeebrugge terminal. This new service had a positive impact on the utilisation rate of the terminal, where we also made the majority of our investments. In the wake of the commissioning of the fifth storage tank and associated process facilities, the long-term transshipment contract signed with Yamal Trade in 2015 is expected to come into force over the course of 2019.

The remaining **investments** went to the transmission system.We teamed up with the distribution system operators to make the first large-scale modification to offset the gradual reduction in imports of low-calorific gas from the Netherlands, whereby various industrial consumers and approximately 53,000 households and SMEs switched to high-calorific natural gas.

"WE HAVE SOLUTIONS TO HAND TO SUPPLY NATURAL GAS TO AREAS WITHOUT A NETWORK."

We also connected new industrial consumers and made the reinforcements required by the distribution system operators, who see 50,000 to 60,000 new natural gas connections every year. In 2018, we devised solutions for consumers in areas without a natural gas network, where we offer our expertise to develop proposals involving liquefied or compressed natural gas.

As for the **safe operation** of our network, we paid special attention to raising awareness of working safely in the vicinity of Fluxys Belgium pipelines, largely focusing on contacts with the agricultural and horticultural community.

Fluxys Belgium has rolled out a range of initiatives to prepare its **workforce** for the new workplace challenges brought about by the rapid development of the energy landscape and the digital environment. These initiatives focused largely on the importance of a stimulating, pleasant work environment, digital skills, and ways to become more resilient and handle pressure at work.

Fluxys Belgium also performed well for its **shareholders** in 2018. We generated a net profit of €54.5 million on a turnover of €503.2 million. Taking into account the elements that had a one-off impact last year, we saw a positive growth in profit due to the increase in the average OLO interest rate and the efficiency drive within the company. The proposed dividend is in line with the evolution in profits.

A key event in 2018 was Belgium's first step towards providing **green gas for consumers**. In the Kempen region, the intermunicipal waste management company IOK Afvalbeheer commissioned the first biomethane facility, and the green gas produced there is now finding its way to end users via the distribution system.

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 allowing consumers in Belgium to buy green gas just as they can buy green electricity. This is an important step towards the decarbonisation of our energy system because it creates a market for green gas and thus stimulates demand for biomethane production, which is still in its infancy in Belgium. Biomethane can also be imported, and the Fluxys Belgium gas network is optimally interconnected with all neighbouring countries to this end.

"BY 2025, WE WANT TO CUT OUR GREENHOUSE GAS EMISSIONS BY 50% COMPARED TO 2017 LEVELS."

Alongside the green gas initiatives, Fluxys Belgium worked with parent company Fluxys to further develop the logistics chain in order to make gas more widely available as an alternative fuel for heavy freight and shipping. The company is also striving to further reduce its own **climate footprint**: we want to cut our greenhouse gas emissions by 50% on 2017 levels by 2025.

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

Electricity currently covers around 20% of the energy consumed by homes and businesses in Belgium. A fifth of this electricity comes from renewable sources but a lot of effort is still required for this share to reach 100%. Greening the remaining 80% of energy consumed poses another challenge. Petroleum products and solid fuels currently account for nearly half of this 80%. Gas infrastructure is required for the associated emissions to be cut: infrastructure for natural gas (which is considerably less polluting) today and for green gas tomorrow.

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

"GAS INFRASTRUCTURE HAS IMPORTANT SYSTEM VALUE FOR THE FUTURE: IT OFFERS A SOLUTION FOR THE INCREASING DEMAND FOR ENERGY STORAGE AND PREVENTS SIGNIFICANT INVESTMENTS ELSEWHERE IN THE ENERGY SYSTEM."

Along these lines Fluxys Belgium in 2019 will hold information sessions with new local authorities after the municipal elections. The company has also put forward three **key principles concerning the future energy policy**: fully exploit the complementarity between the gas and electricity system, switch from the most polluting fossil fuels to gas and electricity, and create a regulatory framework allowing full integration of green gas and innovative technologies in our infrastructure.

Pascal De Buck
CEO and Chairman of the Executive Board

Daniel Termont
Chairman of the Board of Directors

3. FLUXYS BELGIUM IN A NUTSHELL

Independent gas infrastructure company

Independent company. Fluxys Belgium is an independent gas infrastructure company with no interests in the generation or sale of energy. In this regard, the Belgian federal energy regulator has certified Fluxys Belgium as a transmission system operator operating in accordance with the full ownership unbundling model as per the European third package of legislative measures for the gas market. The company has close to 90 years' experience in the development, financing, construction, operation and maintenance of gas infrastructure.

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

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

Infrastructure in Belgium. In Belgium, the company owns and operates 4,000 km of natural gas transmission pipelines and associated infrastructure as well as the underground storage facility in Loenhout, where natural gas is stored in an aquifer more than one kilometre underground. Fluxys LNG (a wholly owned subsidiary of Fluxys Belgium) owns and operates the terminal for liquefied natural gas (LNG) in Zeebrugge.

Business model: regulated sale of capacity

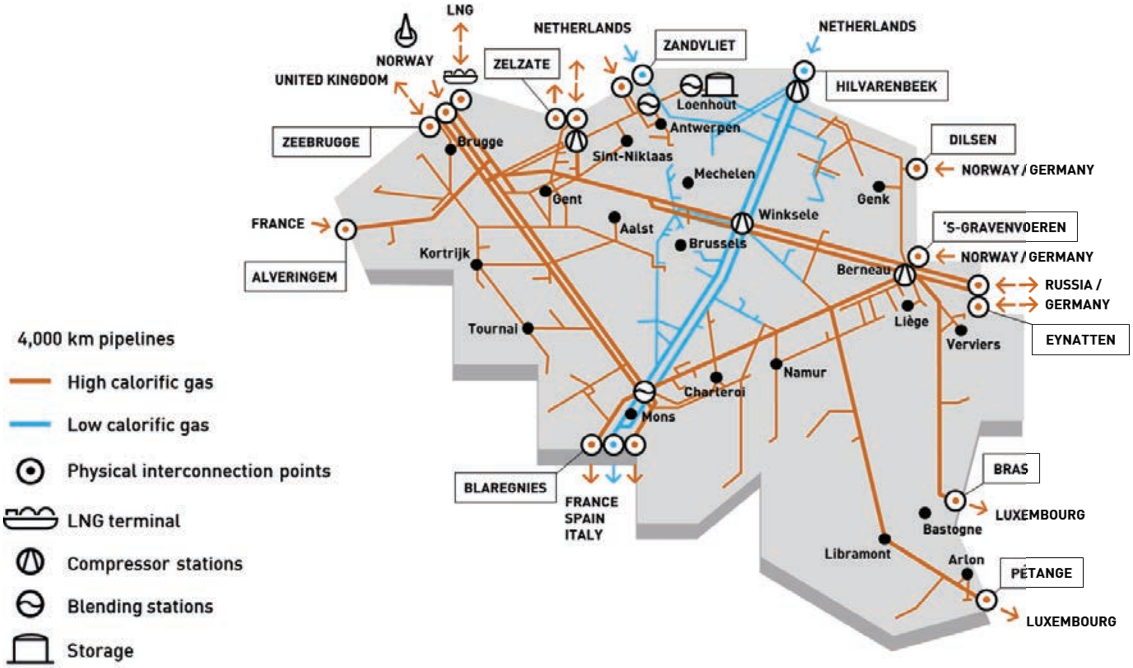
Regulated activities. Fluxys Belgium derives almost 98% of its operating revenue from the sale of capacity and associated services in its infrastructure for the transmission and storage of natural gas and the terminalling of liquefied natural gas (LNG).

Natural gas transmission and storage as well as LNG terminalling are regulated activities monitored by CREG, the Belgian federal energy regulator. This means that, among other things, tariffs, standard contracts and the range of services are established by means of a formal approval process with CREG.

Belgium's regulatory framework provides for a system of turnover regulation. This means that permitted operating revenue is capped at a level at which the company can cover its costs - the operating costs that are controlled by CREG, depreciations, financial costs and return on invested capital. Profit is determined based on various regulatory parameters, including equity invested, financial structure, and the interest rates of the ten-year Belgian government bonds predominantly issued by the Belgian State (OLOs) (see also 'Legal and regulatory framework' on page 140).

Highly competitive infrastructure. Capacity sold for border-to-border transmission accounts for approximately 60% of revenue from transmission activities. Fluxys Belgium competes with the transmission system operators in other Northwest European countries that offer border-to-border capacity. The remaining 40% of revenue from transmission activities comes from the sale of capacity for the supply of natural gas on the Belgian market. For the latter, the company has a natural monopoly.

Natural gas storage and LNG terminalling are competitive markets, meaning that the Loenhout storage site competes with other storage sites and gas trading places in Northwest Europe. The Zeebrugge LNG terminal, in turn, competes with other terminals.



4,000 km pipelines
High calorific gas
Low calorific gas
Physical interconnection points
LNG terminal
Compressor stations
Blending stations
Storage
LNG
NORWAY
UNITED KINGDOM
ZEEBRUGGE
Brugge
ZELZATE
NETHERLANDS
ZANDVLIET
Loenhout
Antwerpen
Sint-Niklaas
NETHERLANDS
HILVARENBEEK
DILSEN
NORWAY / GERMANY
Genk
Mechelen
Gent
Winksele
Aalst
Brussels
FRANCE
ALVERINGEM
Kortrijk
'S-GRAVENVOEREN
NORWAY / GERMANY
Berneau
RUSSIA / GERMANY
Liège
EYNATTEN
Verviers
Tournai
Namur
Charleroi
Mons
BLAREGNIES
FRANCE
SPAIN
ITALY
BRAS
LUXEMBOURG
Bastogne
Libramont
Arlon
PÉTANGE
LUXEMBOURG

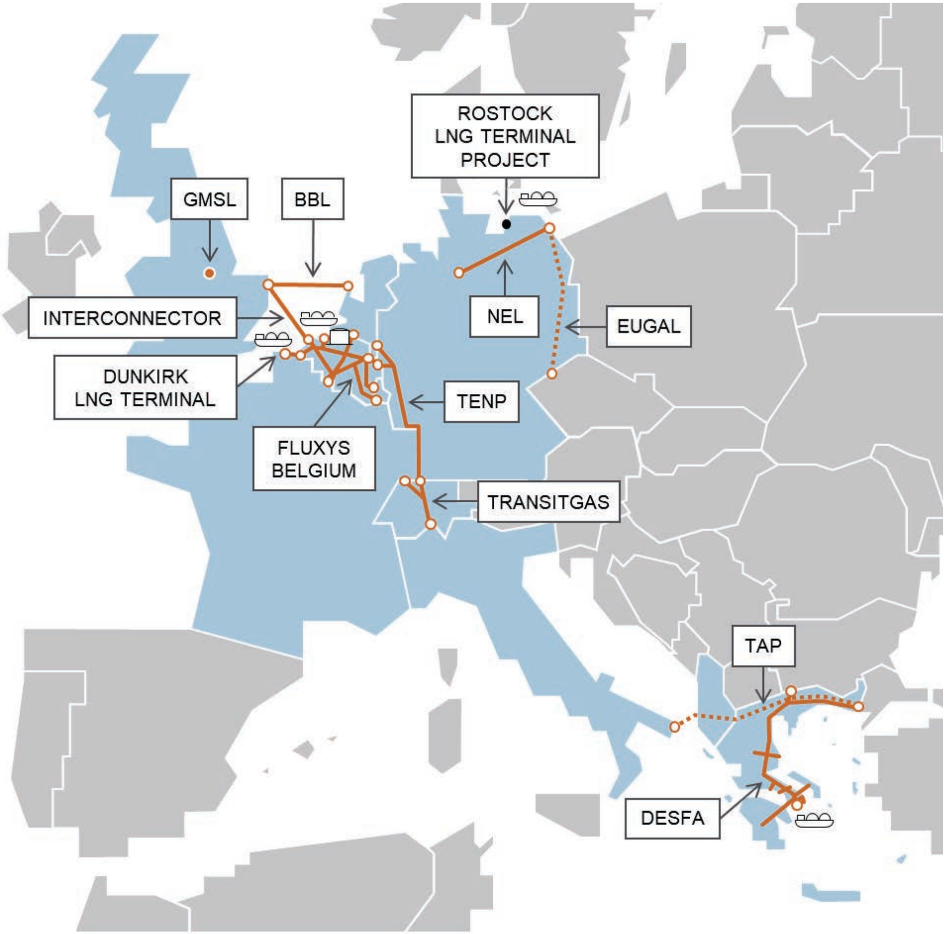
Three core activities

Transmission services – Fluxys Belgium sells capacity in its pipeline infrastructure to its customers to transmit natural gas to distribution system operators, power plants and major industrial end users in Belgium or to send natural gas to border points for transmission to other end-user markets in Europe. Fluxys Belgium also offers its customers gas trading services, allowing them to buy and sell gas on Belgium's ZTP gas trading place.

Storage – Fluxys Belgium offers storage services enabling customers to use buffer capacity flexibly according to their needs to ensure the continuity of supplies to end users or for their activities on gas trading places.

Liquefied natural gas (LNG) terminalling – At the Zeebrugge terminal, Fluxys Belgium sells capacity for loading and unloading LNG carriers, storing LNG or regasifying it for further transmission on the network. Customers can also transfer LNG between two vessels. Another service is the loading of LNG trucks to supply local networks or industrial sites in Europe where pipeline supplies are unavailable, or to supply filling stations for LNG-fuelled trucks and LNG-powered vessels.

Part of the Fluxys group



Crossroads for international gas flows

The Belgian network has excellent connections with all sources available to the European market and customers can move LNG they import by ship or natural gas they supply by pipeline in any direction: France, the United Kingdom, the Netherlands, Germany and Luxembourg. Thanks to Fluxys Belgium's versatile entry/exit system, they can book and use capacity with complete flexibility. LNG can also be transported from Zeebrugge to other destinations in Europe or around the world by ship or truck.

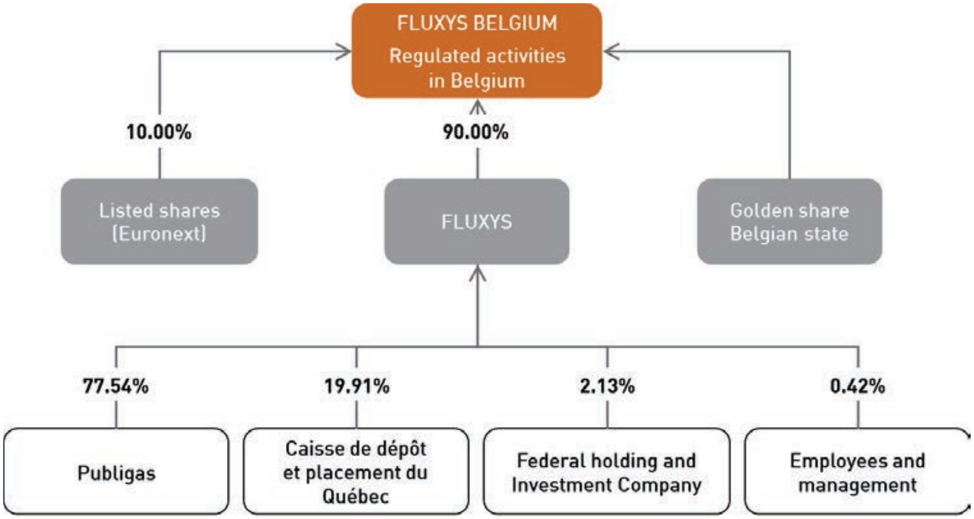
Extensive trading opportunities

ZTP, the Belgian network's gas trading place, offers a range of trading opportunities, thus realising the EU's vision of an integrated European gas market: a unified system of optimally interconnected transmission networks that suppliers, producers and industrial customers can use flexibly to exchange gas between trading places.

Competitive prices

An optimum investment policy, a keen eye for cost-efficiency and a finger on the pulse when it comes to the services that customers want: with this combined approach, Fluxys Belgium offers its customers a range of quality services tailored to market demand and at competitive prices.

Our shareholders as at 27 March 2019



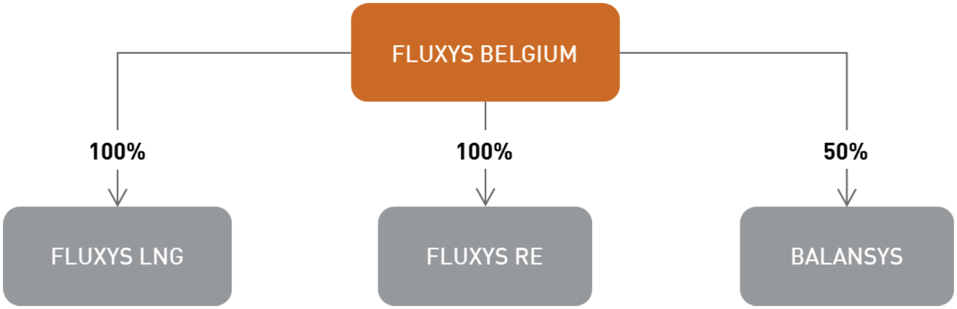
Fluxys Belgium is a public limited company and is part of the Fluxys group:

- Fluxys holds a 90% stake in the company.
- 16.71% of shares in the company are listed on Euronext. 6.71% of listed shares are held by Fluxys.
- The golden share held by the Belgian State gives the federal government a right of veto should Fluxys Belgium consider selling infrastructure of strategic importance for the security of supply. The Belgian State is represented by the Minister of Finance.

The shareholder structure of **Fluxys** is as follows:

- **Publigas** manages the interests of Belgian municipalities in Fluxys.
- **Caisse de dépôt et placement du Québec** is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). Caisse has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe.
- The **Federal Holding and Investment Company** is a federal Belgian holding company set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.
- Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

Our subsidiaries



Fluxys LNG (consolidated subsidiary - wholly owned by Fluxys Belgium). Fluxys LNG is the owner and operator of Zeebrugge LNG terminal and sells terminalling capacity and associated services.

Flux Re (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law.

Balansys (stake consolidated using the equity method - Fluxys Belgium holds a 50% stake). As part of the 2015 integration of the Belgian and Luxembourg gas market, Fluxys Belgium and Creos Luxembourg (the Luxembourg transmission system operator) set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake.

Our values

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

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

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

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

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

Composition of the corporate bodies as at 27 March 2019

Board of Directors

- Daniël Termont, Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
- Claude Grégoire, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee
- Jos Ansoms
- Marianne Basecq*
- Sabine Colson*
- Patrick Côté
- Valentine Delwart*
- Hélène Deslauriers*
- Andries Gryffroy
- Luc Hujoel
- Ludo Kelchtermans, Chairman of the Audit Committee
- Anne Leclercq*
- Monique Lievens*, Chairman of the Corporate Governance Committee
- Renaud Moens
- Walter Nonneman*
- Josly Piette
- Geert Versnick
- Christian Viaene, Chairman of the Appointment and Remuneration Committee
- Sandra Wauters*
- Luc Zabeau
- François Fontaine, federal government representative acting in an advisory capacity
- Pascal De Buck, CEO and Chairman of the Executive Board, invited in an advisory capacity

Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Board of Directors.

* Independent director under the provisions of the Gas Act.

Strategy Committee

- Claude Grégoire, Chairman
- Daniël Termont, Vice-Chairman
- Jos Ansoms
- Patrick Côté
- Valentine Delwart
- Luc Hujoel
- Walter Nonneman
- Christian Viaene
- Sandra Wauters
- Andries Gryffroy, observer acting in an advisory capacity
- François Fontaine, federal government representative acting in an advisory capacity
- Pascal De Buck, CEO and Chairman of the Executive Board, invited in an advisory capacity

Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Strategy Committee.

Audit Committee

- Ludo Kelchtermans, Chairman
- Marianne Basecq
- Sabine Colson
- Patrick Côté
- Anne Leclercq
- Renaud Moens
- Sandra Wauters

Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Audit Committee.

Corporate Governance Committee

- Monique Lievens, Chairman
- Sabine Colson
- Valentine Delwart
- Hélène Deslauriers
- Anne Leclercq
- Josly Piette
- Luc Zabeau

Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Corporate Governance Committee.

Appointment and Remuneration Committee

- Christian Viaene, Chairman
- Marianne Basecq
- Valentine Delwart
- Hélène Deslauriers
- Luc Hujoel
- Walter Nonneman
- Geert Versnick

Anne Vander Schueren, Director Human Resources, serves as secretary to the Appointment and Remuneration Committee.

Executive Board

Operational management of the company, including day-to-day management and representation of the company vis-à-vis third parties, is the responsibility of the Executive Board, which is composed as follows:

- Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
- Arno Büx, member of the Executive Board and Chief Commercial Officer
- Paul Tummers, member of the Executive Board and Chief Financial Officer
- Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

The Executive Board is assisted by the following members of management, with whom they form the Executive Committee:

- Huberte Bettonville, Director Commercial Regulated
- Ben De Waele, Director Installations & Grid
- Gérard Kimus, Director Planning & ICT
- Anne Vander Schueren, Director Human Resources
- Rafael Van Elst, Director Construction, Engineering & Gas Flow
- Yves Vercammen, Director Transformation Projects

Nicolas Daubies, Company Secretary & Legal Manager, serves as secretary.

4. GAS INFRASTRUCTURE: A CORNERSTONE OF A CARBON-NEUTRAL ENERGY SYSTEM

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

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

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

Fluxys believes that the best way to solve the three challenges posed by the energy transition is to open-mindedly and pragmatically combine electricity, natural gas and renewable energies (including green gas). Gas infrastructure thereby serves as a cornerstone of the future carbon-neutral energy system.

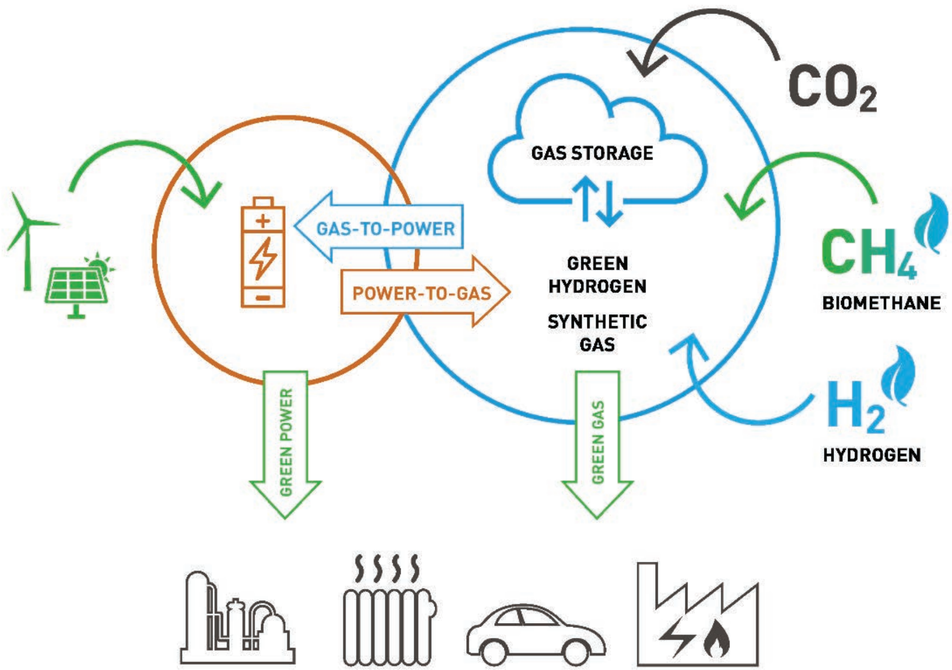
GAS INFRASTRUCTURE: THREE CORE ASSETS

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

1. **Transmission of green gas** – Natural gas networks currently only transport natural gas, but in the future existing infrastructure could also transport flows of green gas: biomethane, synthetic gas and, under certain conditions, hydrogen. The infrastructure is also suitable for transporting CO_2.
2. **Huge capacity and flexibility** – Gas infrastructure offers the energy system of the future the capacity required to meet the need for both more low-emission energy and more flexibility to provide back-up for variable wind and solar power generation.
3. **Cost efficiency** – Using existing gas infrastructure to fulfil future energy needs lowers the level of investment in the energy system as a whole. Gas infrastructure itself is also particularly efficient because gas has a high energy density.

THE FUTURE ENERGY SYSTEM

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



TWO PILLARS FOR SHAPING THE FUTURE ENERGY SYSTEM

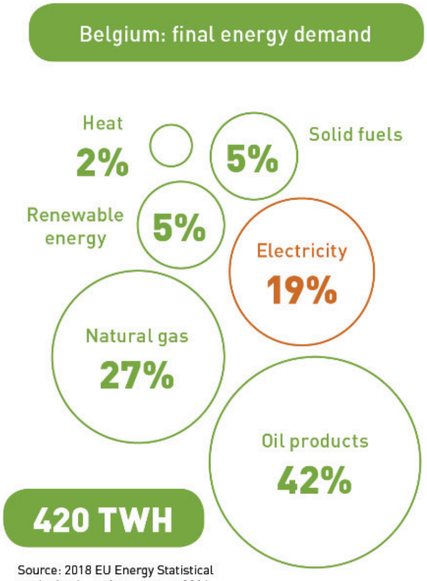
1. Make maximum use of gas infrastructure to transport and store energy

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

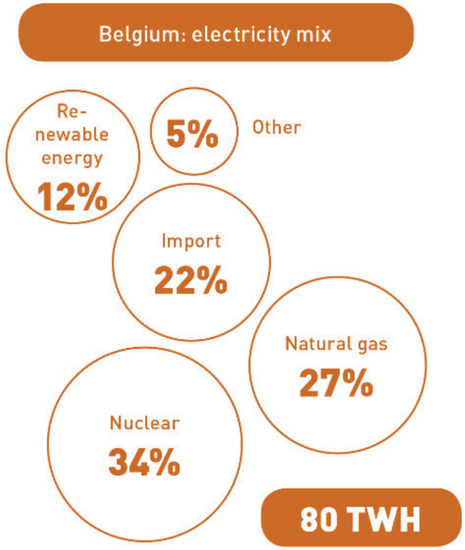
Supplying sufficient quantities of green energy

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

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



Source: 2018 EU Energy Statistical pocketbook – reference year 2016



Source: Elia 2019 – reference year 2018

Using the right energy in the right application

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

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

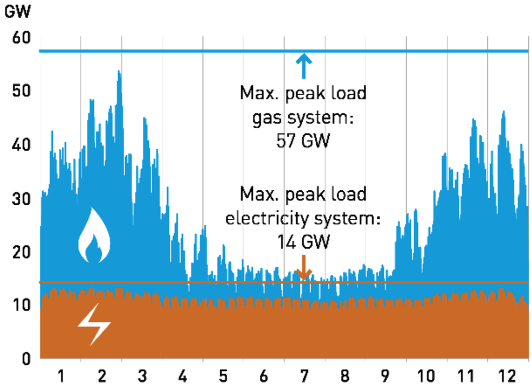
Offering sufficient capacity

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

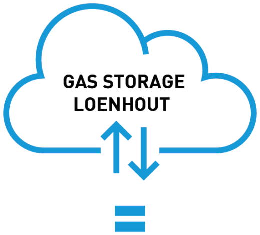
Peak capacity. With regard to heating, gas infrastructure has been built to provide the peak capacity needed for high demand in winter.

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

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



Source: Elia and Fluxys – reference year 2018



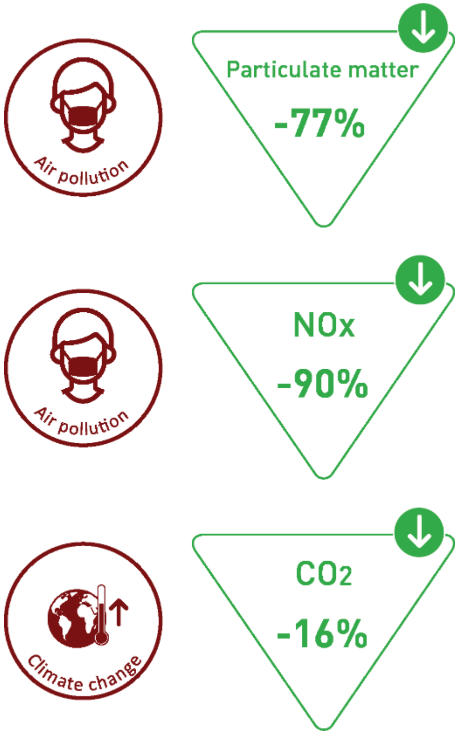
1 250 x Hydro storage in Belgium

600 000 000 x Tesla home power wall

Getting results as of today

Thanks to gas infrastructure, major steps can be taken as of today in terms of heating, mobility and heat demand to reduce CO_2 emissions and air pollution immediately. Specifically, switching to natural gas decreases emissions of particulate matter and other air pollutants such as nitrogen oxides, and makes CO_2 emissions drop as well. CO_2 emissions will fall even further as more green gas flows into the gas system.

- With regard to heating and heat demand in industry, the way to go is utilising efficient gas technologies such as condensing boilers, gas heat pumps, fuel cells or gas-fired CHP-technology, the latter generating both heat and electricity.
- When it comes to mobility, natural gas vehicles are an excellent complement to electric vehicles. They are better suited for longer distances as they have greater autonomy and are considerably cheaper to buy than electric vehicles, which opens up greener driving to a wider audience. Gas-fuelled buses and commercial vehicles in turn, allow to address the issue of particulate matter in urban areas and liquefied natural gas (LNG and bio LNG) is an important alternative to make heavy freight and shipping, making them more sustainable.
- For areas without a natural gas network Fluxys Belgium offers solutions with local infrastructure to unlock natural gas or green gas.

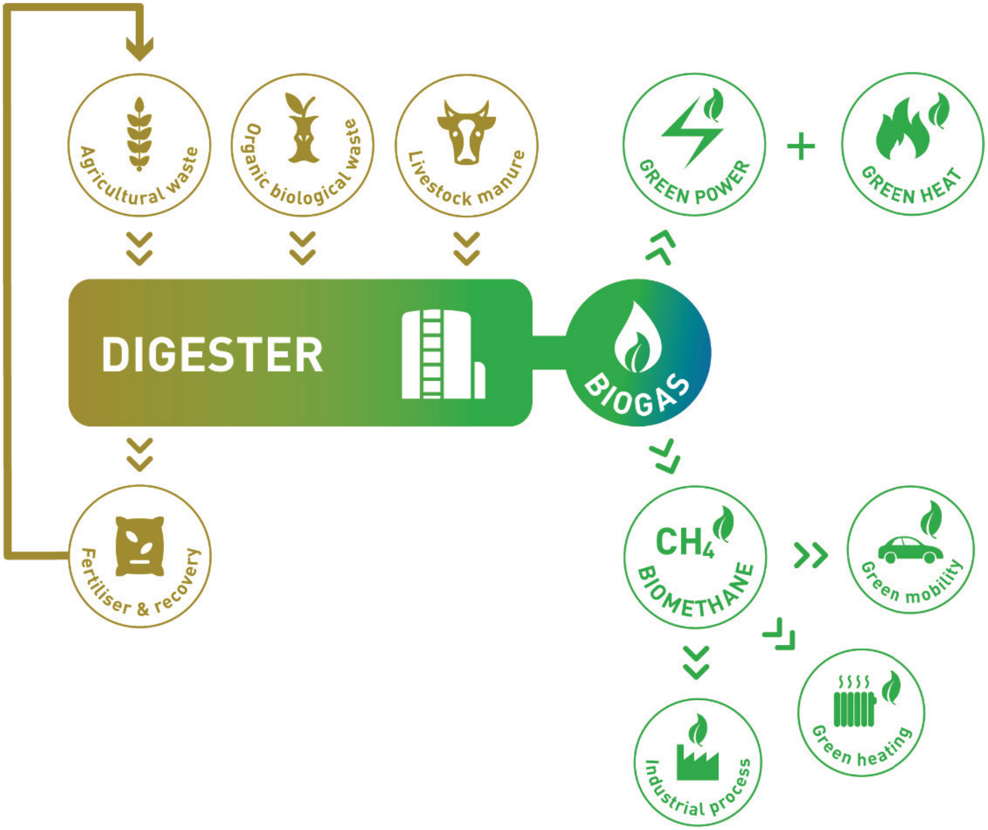


2. Focus on green gas and innovative gas technologies

The energy of the future must be carbon neutral. As well as renewable sources like wind and solar energy, green gas will also be part of a sustainable energy mix. Gas infrastructure and innovative gas technologies are instrumental to making green gas available as an additional carbon-neutral energy source to homes and businesses. Gas networks can also be used in the future to transport captured CO_2.

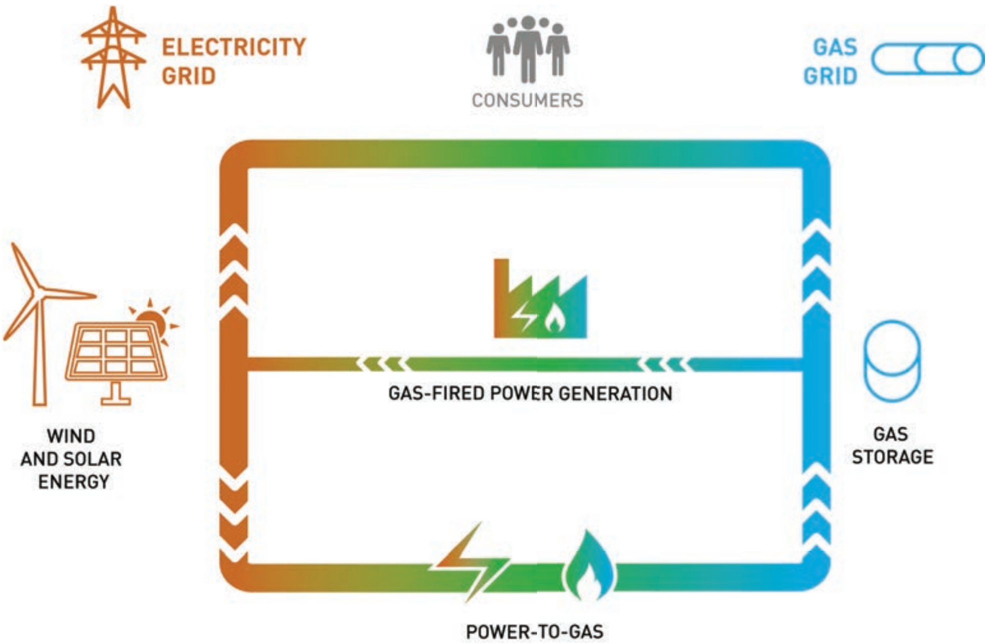
The potential of biogas and biomethane

Biogas is carbon neutral and is produced from organic material such as sludge, garden waste, the remains of fruit and vegetables, or animal waste like cow manure. Belgium is currently home to around 200 biogas facilities used to generate heat and electricity locally. If biogas is purified into biomethane, it can be transported via the existing gas system without restriction. Compared to our neighbouring countries, biomethane production is still in its infancy in Belgium and its potential needs to be developed further. Biomethane can also be imported: the Fluxys gas network is optimally interconnected with all neighbouring countries.


Agricultural waste
Organic biological waste
Livestock manure
DIGESTER
BIOGAS
GREEN POWER
+
GREEN HEAT
Fertiliser & recovery
CH_4
BIOMETHANE
Green mobility
Green heating
Industrial process

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

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



The green gas generated by power-to-gas technology can be green hydrogen or synthetic gas, for example. Green electricity is turned into green hydrogen via electrolysis. Combining green hydrogen with captured CO_2 creates synthetic gas and reuses CO_2 circularly. Synthetic gas has the advantage that there is no limit to how much it can be mixed with natural gas in the existing gas system, while this is only possible to a limited extent with green hydrogen. Separate sections of the pipeline network can be used to transport hydrogen.

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

Carbon capture and reutilisation/storage

The most recent United Nations climate report makes it clear that carbon capture technologies will be required to arrive at the necessary reductions in CO_2 emissions as fossil fuels are often still the only option for some processes. Captured CO_2 can be reused in products such as polymers or steel, and extensive research is being conducted around the world into other ways to reuse CO_2. Any captured CO_2 not eligible for reuse must be stored (e.g. in empty gas or oil fields).

5. CORPORATE SOCIAL RESPONSIBILITY: WHERE DOES OUR FOCUS LIE?

Fluxys Belgium's activities are of general economic interest and we want to be a responsible company in this regard. Fluxys Belgium therefore pursues an active sustainability policy.

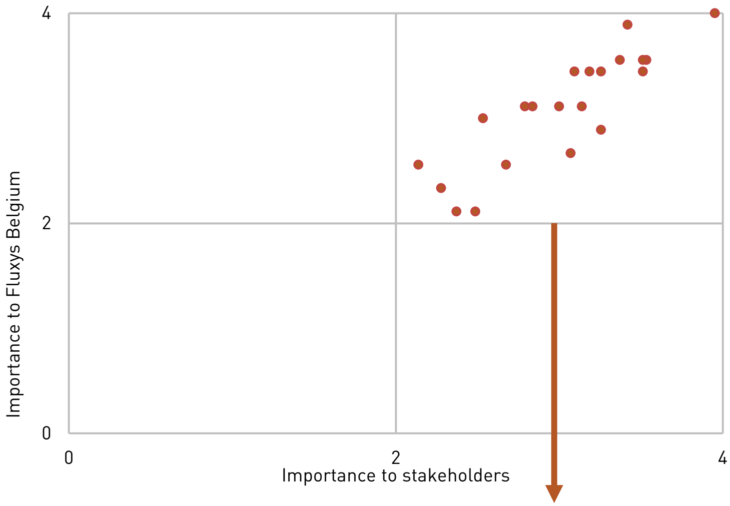
The reporting in this annual report integrates non-financial information inline with GRI Standards and thus provides an explanation of the topics that are material to Fluxys Belgium's activities, taking into account the context and value chain within which the company operates and the interests of the company's stakeholders.

Materiality analysis

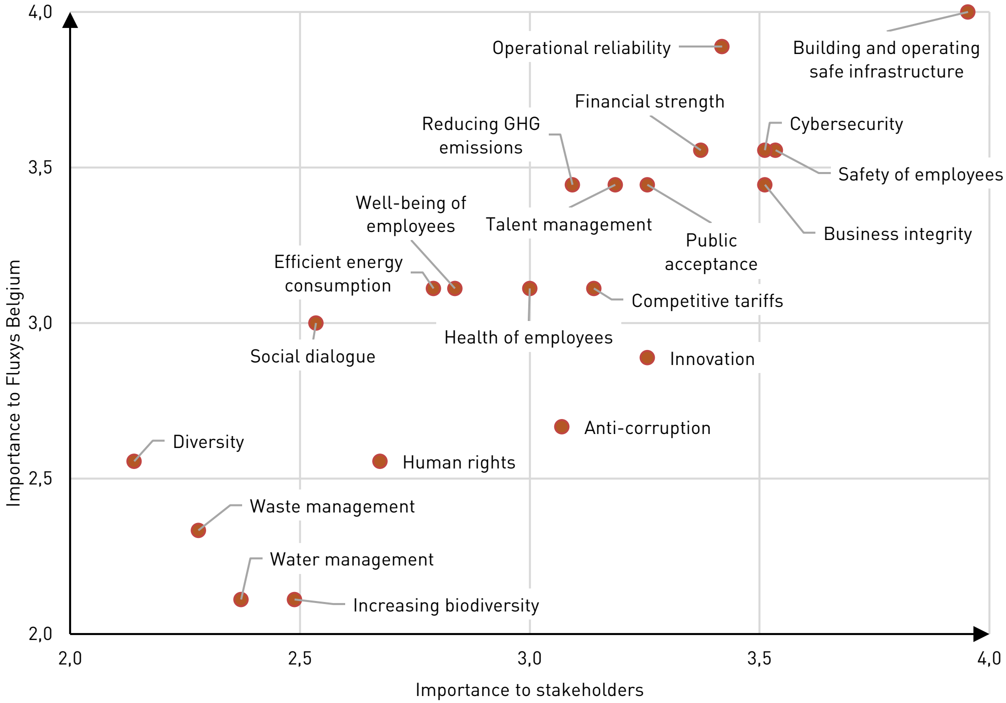
When carrying out the materiality analysis, Fluxys Belgium consulted its stakeholders to gather their views on the importance of Fluxys Belgium's role and impact in a number of sustainability-related areas. The company's Executive Committee was consulted as well. The materiality matrix shows the consolidated result of both consultations.

The matrix shows that safety in general (for employees, the natural gas infrastructure as well as ICT), operational reliability, business integrity and financial strength are given the most weight.

Materiality matrix



Materiality matrix



Stakeholders

Employees

Employees expect the company above all to be a good employer and provide a healthy, safe workplace.

Dialogue with employees mainly occurs through regular consultation on platforms such as the works council or the Committee for Prevention and Protection at Work. Fluxys Belgium also continuouslyprovides its employees with information via the intranet and offers a wide range of training courses and opportunities for development (see 'Encouraging employee development' on page 105 and 'Fostering well-being at work' on page 121).

Local residents

Local residents are residents owning or using land on which our underground or surface infrastructure is located, or land in the vicinity of such infrastructure.

For them, information, safety and minimal disruption are key. With this in mind, Fluxys Belgium organises numerous information and awareness-raising campaigns and constantly keeps an eye on the safety of its facilities (see 'Good neighbourly relations' on page 77 and 'Industrial risks' on page 135).

Shareholders

Fluxys Belgium through its governance bodies regularly consults its shareholders on matters including financial performance, risk management, and the safety and reliability of natural gas transmission (see 'Risk management' on page 130 and 'Corporate Governance Declaration' on page 149).

Customers

Fluxys Belgium's customers are the users of the transmission system, the Loenhout storage facility and Zeebrugge LNG terminal: gas producers, wholesalers, traders and suppliers who buy capacity in the company's infrastructure to bring their natural gas to its intended destination.

The company's customer base also includes distribution system operators and companies directly connected to the transmission system such as industrial companies and gas-fired power plants. In principle, they do not purchase capacity from Fluxys Belgium but there is an operational link due to their physical connection to the transmission system.

Optimum availability of capacity in Fluxys Belgium's infrastructure and competitive tariffs are extremely important for all customers (see 'Continuing focus on competitive tariffs' on page 63 and 'No interruption or reduction in capacity' on page 63).

Fluxys Belgium maintains constant contact with its customers via a team of key account managers. The company also organises an annual event for each customer group with a view to addressing topics that regularly come up in the day-to-day contact, with key account managers.

When developing new services, proposing new tariffs or proposing amendments to contractual documents, Fluxys Belgium conducts a market consultation in accordance with the regulatory framework.

Suppliers

Suppliers wishing to work with Fluxys Belgium must undergo a qualification procedure before they can supply the company with products or services. In 2018, Fluxys Belgium worked with 466 qualified suppliers. Qualified suppliers fall into one of two categories depending on the products and services they supply:

- Suppliers of works and services (e.g. IT, communication, engineering, works). In 2018, 338 service providers were active at Fluxys Belgium sites.
- Suppliers of necessities (e.g. electrical equipment, pipelines, instrumentation and control equipment).

Authorities and regulators

These are mainly the Belgian and European authorities and regulators responsible for energy (in all its aspects), as well as financial regulators such as the Financial Services and Markets Authority.

These energy authorities and regulators are responsible for monitoring that natural gas transmission in Belgium is reliable and safe and that the natural gas market operates smoothly. Guiding these processes is a transparent, regular dialogue between Fluxys Belgium and the various authorities involved.

Fluxys Belgium is also listed on the stock exchange; as such, the company regularly releases information through publications, reports and notifications.

Financial institutions

Financial institutions contribute to the (partial) financing of Fluxys Belgium's activities. Regular information and transparency are essential here.

FINANCIAL STRENGTH

Most of Fluxys Belgium's activities are regulated. The return on these activities is determined by a number of regulatory parameters, primarily the capital invested, the OLO interest rates and the difference in manageable costs. Management subsequently strives for a financial structure as close as possible to the regulatory optimum and manages its operating costs to be able to benefit from stimuli.

Furthermore, it is vital for Fluxys Belgium that tariffs remain competitive. Fluxys Belgium’s efforts to improve efficiency are a key factor in keeping tariffs at competitive levels. Teams and staff from all of the company's departments have wholeheartedly adopted new, more efficient organisational structures and ways of working centred on safety and other company values.

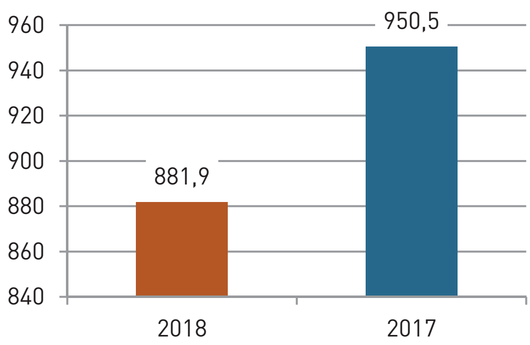
Fluxys Belgium endeavours to lock in as much as possible the current low-interest rate conditions in the long term and maintains a financing policy striving for a healthy credit rating with regard to the ratio between equity and borrowed capital and a sound diversification between bank loans and bonds. This policy has enabled the company to fund its investments under favourable conditions and helped to maintain competitive tariffs.

Financial ratios

Financial ratios	2018	2017
Solvency*: Quotient of (i) net financial debt and (ii) the sum of equity and net financial debt *	56%	57%
Interest coverage: Quotient of (i) the sum of FFO* and interest expenses and (ii) interest expenses	7.1	6.4
Net financial debt*/extended RAB*: Quotient of (i) net financial debt and (ii) extended RAB	28%	30%
FFO*/net financial debt*: Quotient of (i) FFO and (ii) net financial debt	28%	27%
RCF*/net financial debt*: Quotient of (i) RCF and (ii) net financial debt	18%	18%

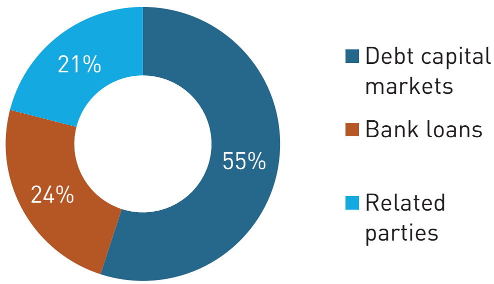
* See glossary on page 344

Net financial debt*
in millions of €



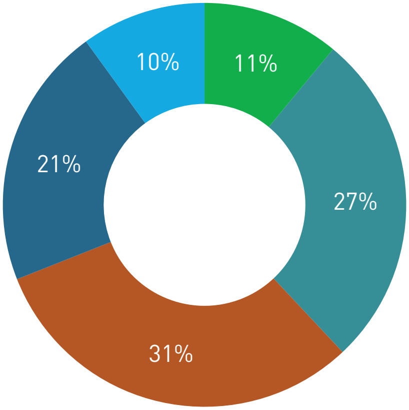
* Excluding regulatory debt

Analysis of debt



The weighted average duration as at 31 December 2018 totalled 12.3 years.

Generation of welfare



Generation of welfare*: €404,7 million

*See glossary on page 344

Fluxys Belgium creates prosperity by contributing to the economic growth of the society and environment in which it is active. This creation of prosperity is measured as added value that the company generates and distributes among its stakeholders.

The added value generated by continuing company activities in 2018 amounted to €404.7 million, down €7.3 million compared to 2017.

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

*See glossary on page 344

Turnover in 2018: €503.2 million. The Fluxys Belgium group generated a turnover of €503.2 million in 2018, slightly down on 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 drop in operating costs, financing costs and taxes, partially offset by an increase in the regulated rate of return.

Persistently low interest rates affecting the Group's net profit. 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 rate of return on invested capital and consequently on the 2018 annual results.

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

€78.1 million invested. Investments in property, plant and equipment in 2018 totalled €78.1 million (compared to €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 Zeebrugge LNG terminal).

Indicators

Indicators	**2018**	**2017**
RAB* (in millions of €)		
Transmission	2,194.2	2,257.9
Storage	246.1	253.3
LNG terminalling	324.6	328.0
Property, plant and equipment excluding RAB (in millions of €)	376.6	335.6
Extended RAB*	3,141.5	3,174.8
WACC* before tax (in %)		
Transmission	4.04	4.31
Storage	3.71	3.99
LNG terminalling	3.40	3.65

*See glossary on page 344

Subsidiary activities and statutory profits

Fluxys LNG NV/SA (consolidated subsidiary - Fluxys Belgium holds a 99.99% stake while Flux Re holds a 0.01% stake). Fluxys LNG is the owner and operator of Zeebrugge LNG terminal and sells terminalling capacity and associated services. Fluxys LNG's equity totalled €174.8 million as at 31 December 2018, compared to €183.9 million the previous year. Net profit for the 2018 financial year totalled €9.0 million, compared to €8.0 million in 2017.

Flux Re (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law and was established in October 2007. Flux Re's equity has risen from €4.8 million as at 31 December 2017 to €8.8 million as at 31 December 2018. Net profit for the 2018 financial year totalled €8.9 million (€8.7 million in 2017).

Balansys (stake consolidated using the equity method - Fluxys Belgium holds a 50% stake). As part of the integration of the Belgian and Luxembourg market, on 7 May 2015 Fluxys Belgium and the Luxembourg transmission system operator Creos Luxembourg set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake. The company is expected to take over commercial balancing activities for the integrated Belgian-Luxembourg gas market in 2019.

Fluxys Belgium SA – 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 rate of return, efficiency gains, dividend income, and 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 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.

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 General Meeting that the profits be allocated as follows:

- €88.5 million as a dividend payout, 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 from 23 May 2019 onwards.

Price of Fluxys Belgium shares

In 2018, the lowest closing price of Fluxys Belgium shares (€24.00) was recorded on 19 December and the highest (€28.00) was recorded four times between 20 April and 14 May. The year ended with a closing price of €24.50. The average trading volume per day of Fluxys Belgium shares on the Euronext Brussels regulated market was 2,204 shares in 2018, compared to 2,195 in 2017.

Fluxys Belgium shares

		2018	2017	2016	2015	2014
Price	Maximum	28.0	27.10	29.00	27.80	30.50
	Minimum	24.0	24.75	25.41	24.45	26.03
	Closing price as at 31 December	24.5	26.04	26.00	26.46	27.09
	Average	26.31	26.03	27.02	25.92	28.38
Consolidated net profit per share		0.78	1.00	0.69	0.87	0.86
Price/profit ratio as at 31 December		31	26	38	30	32
Number of shares		70,263,501	70,263,501	70,263,501	70,263,501	70,263,501
Average daily volume traded		2,204	2,195	1,709	2,746	2,352

Gross/net dividend per share (€)

	2018	2017	2016	2015	2014
Gross dividend per share	1.26	1.23	1.20	1.20	1.20
Net dividend per share	0.882	0.861	0.84	0.876	0.90

Consolidated net profit (in millions of €)

	2018	2017	2016	2015	2014
Consolidated net profit	54.5	70.3	48.5	61.1	60.4

Consolidated equity (in millions of €)

	2018	2017	2016	2015	2014
Consolidated equity	687	714	694	736	750

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.

OPERATIONAL ROBUSTNESS

Fluxys Belgium, together with distribution system operators (DSOs) and the users of its infrastructure, is guaranteeing an optimum continuity of gas flows to end users. Gas flows through Fluxys Belgium infrastructure are not just destined for Belgium - thanks to the Belgian gas network acting as a crossroads, a significant part of the flows also find their way towards the vast Western European market.

Optimum availability of infrastructure capacity is therefore vital to the security of supply that end users expect from their suppliers. With that in mind, Fluxys Belgium makes every effort to avoid unplanned capacity interruptions. We are also making the necessary investments at the right time to keep existing infrastructure in good condition and build new infrastructure in line with market demand development.

Competitive tariffs are also paramount to Fluxys Belgium's customers and are consequently a deciding factor when it comes to the company's competitiveness. As for infrastructure users, it is very important that the capacity products offered by the company fulfil their expectations as much as possible.

Sales of transmission capacity: Shift to short-term market

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

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

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

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

Fluxys Belgium grid once again demonstrates its robustness

Fluxys Belgium's network and balancing system proved to be particularly robust in late February and early March 2018. During the cold spell encountered over this period, producers suffered interruptions and technical problems occurred elsewhere on the Northwest European gas network. Under those exceptional circumstances, the Fluxys Belgium network and balancing system proved strong enough to ensure that the market functioned smoothly and offered competitive prices on the wholesale market.

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

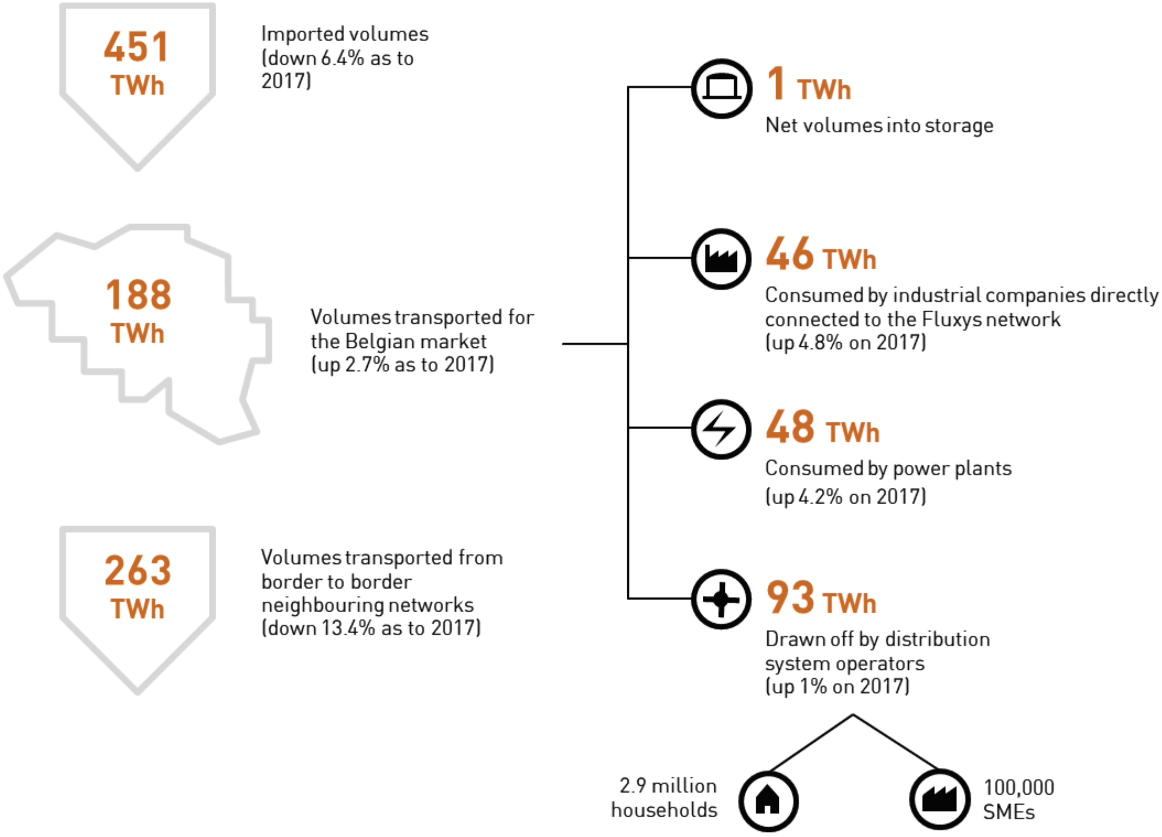
Drop in border-to-border transmission volumes

In 2018, transmission volumes fell by 6.4% compared to 2017. This was due to the significantly lower border-to-border flows, especially flows from the UK and to France.

Rise in volumes transmitted for the Belgian market

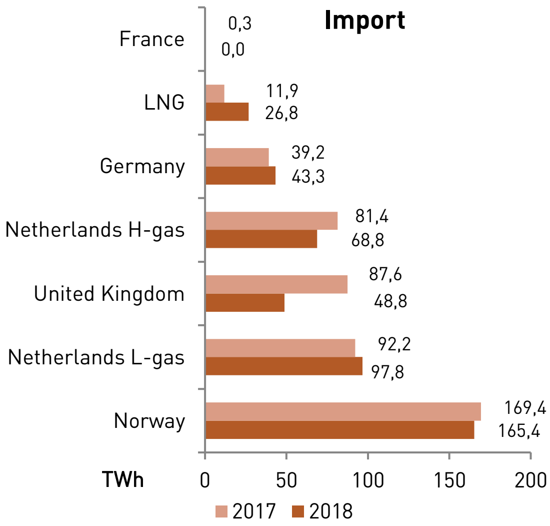
In 2018, Fluxys Belgium transmitted 187 TWh of natural gas for domestic consumption, 2.7% more than in 2017.

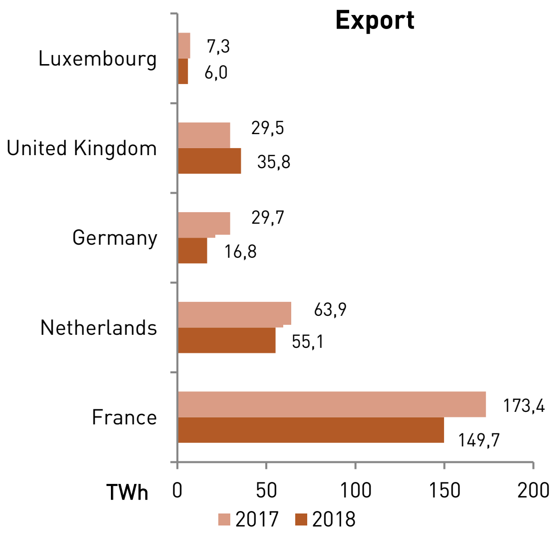
- Increased industrial consumption is predominantly due to the commissioning of new industrial connections.
- October and November were record months for natural-gas-fired power stations.
- Due to the increase in the number of connections with distribution system operators (50,000 to 60,000 connections per year), and despite milder temperatures in 2018 compared to the previous year, the offtake by DSOs rose slightly.


451
TWh
Imported volumes
(down 6.4% as to
2017)
188
TWh
Volumes transported for
the Belgian market
(up 2.7% as to 2017)
263
TWh
Volumes transported from
border to border
neighbouring networks
(down 13.4% as to 2017)
1 TWh
Net volumes into storage
46 TWh
Consumed by industrial companies directly
connected to the Fluxys network
(up 4.8% on 2017)
48 TWh
Consumed by power plants
(up 4.2% on 2017)
93 TWh
Drawn off by distribution
system operators
(up 1% on 2017)
2.9 million
households
100,000
SMEs

Imported and exported volumes

As a result of the expiry of the long-term contracts via the Interconnector UK pipeline from October 2018 onwards, imports from the UK fell in 2018 by 44% on 2017 levels. There was a sharp drop in volumes exported to France.





Continuing focus on competitive tariffs

Fluxys Belgium has turned its network into a central crossroads for international natural gas flows in Northwest Europe, offering excellent interconnectivity, access to all available sources and liquid gas-trading places. If it is to consolidate and retain this role in a border-to-border transmission market increasingly characterised by short-term bookings, it is vital that tariffs are kept at competitive levels.

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

No interruption or reduction in capacity

At no point in 2018 was Fluxys Belgium required to initiate an unplanned reduction or interruption of **firm capacity** at the interconnection points on the borders or at the domestic exit points for distribution, industry or power stations.

Fluxys Belgium strives to avoid any unplanned reduction or interruption of firm capacity.

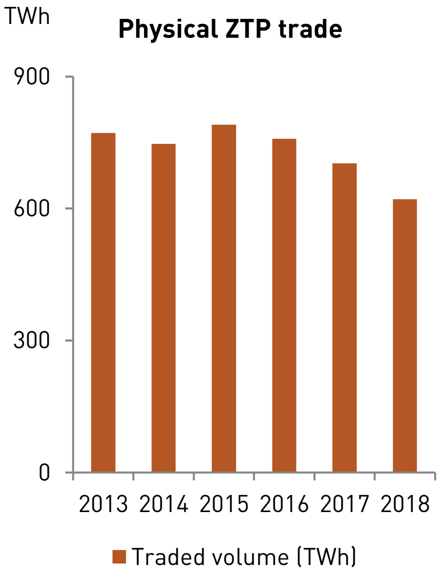
At no point in 2018 was Fluxys Belgium required to reduce or interrupt **interruptible capacity** at the interconnection points on the borders or at the domestic exit points for distribution or industry.

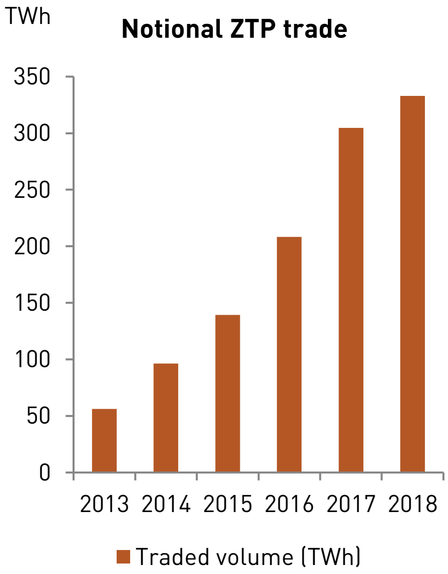
Fluxys Belgium strives to limit the reduction or interruption of interruptible capacity to 5%.

Belgian notional gas trade is still booming

Volumes on Belgium's ZTP gas trading place fell by 5% in 2018 (to 954 TWh).

- Notional trade continued on the growth trajectory seen in recent years, with volumes traded rising by over 9%.
- Physical trade fell by around 12%, probably due to remarkably low activity on the interconnection with the UK from October onwards as well as a shift of part of physical trading to notional trading.





Market conditions for storage in Europe remain challenging

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

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

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

Impact on Loenhout storage facility. 60% of capacity at the Loenhout storage site is booked under long-term contracts. Upon the closure of the UK's Rough storage site, Fluxys Belgium sold the remaining capacity for the 2017-2018 storage season through a swift offering of commercial solutions taking into account changing flexibility needs.

No remaining capacity could be booked for the 2018-2019 storage season due to the minor price differences between summer and winter on the gas trading place.

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

33
LNG carriers unloaded
(17 in 2017)
= 32 TWh LNG

9
Transshipments between
two carriers
= 8,9 TWh LNG

25
LNG carriers loaded
of which 20 small vessels
= 5,3 TWh LNG

Industrial sites

LNG filling stations

1.453
trucks loaded with LNG
(1.454 in 2017)
= 0,4 TWh LNG

26,8 TWh
regasified
(11,9 in 2017)
and transmitted in the Fluxys Belgium
pipeline network

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

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

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

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

Small-scale LNG on the rise

Small-scale LNG market grows slightly. In addition to the terminalling of large volumes of LNG, the Zeebrugge LNG terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG. This means that small LNG carriers and LNG trucks can load LNG at the terminal. Other LNG terminals in the wider region are also developing services for small-scale LNG. Despite this increased competition, the number of operations involving small LNG carriers and LNG trucks at Zeebrugge in 2018 was slightly up on 2017 levels.

Second loading station for LNG trucks. In 2018, Fluxys built a second loading bay for LNG trucks at Zeebrugge LNG terminal, securing its continued ability to respond smoothly to future demand. The second bay was commissioned in December and doubles the loading capacity from 4,000 to 8,000 loading operations per year.

The station receives financial support from the European Commission through the Connecting Europe Facility (CEF) programme in connection with GO4SYNERGY, a joint project between Fluxys and Swedegas to transport LNG in containers from Zeebrugge to Gothenburg in order to bunker vessels there with LNG. The subsidy is awarded to projects that exploit synergies between the transport and energy sectors with a view to achieving a low-carbon future and strengthening the internal European energy market.

Co-financed by the Connecting Europe Facility of the European Union

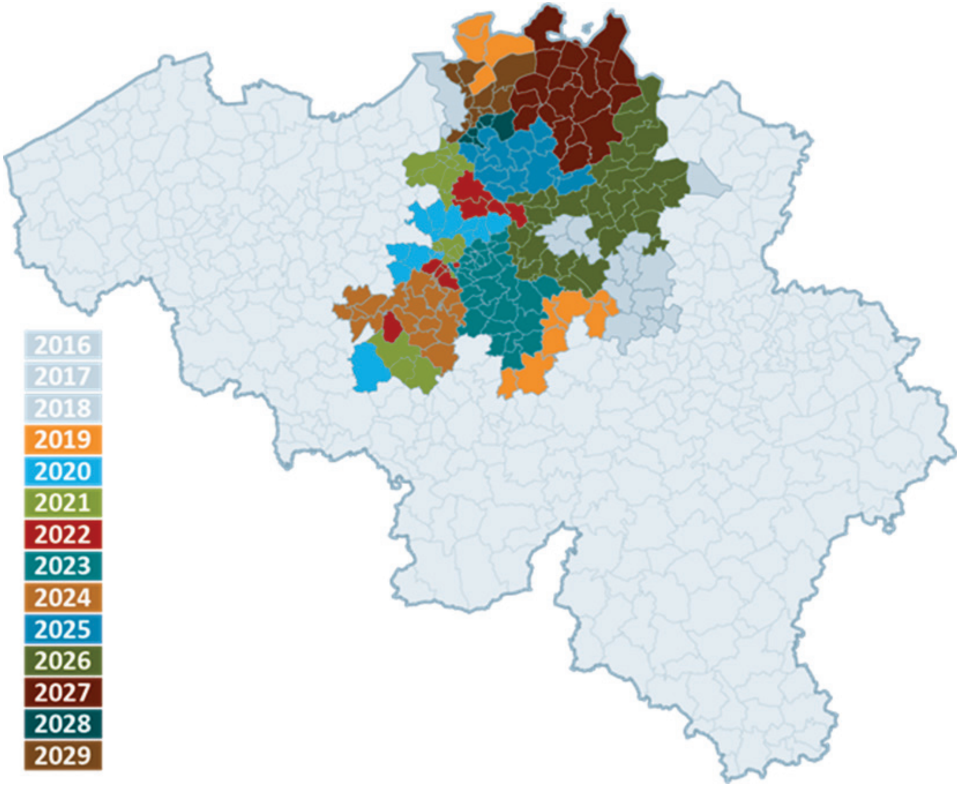
Shift from low-calorific to high-calorific natural gas

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

Belgium currently imports around 45 TWh of L-gas per year for domestic consumption. The Belgian network also acts as a corridor for conveying L-gas to France. Gas from Groningen accounts for around 30% of the supply in Belgium as a whole and approximately half of all the gas consumed by households and SMEs.

International cooperation. As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switch from L-gas to high-calorific natural gas (H-gas) from other sources. Given the cross-border nature of the consequences of such switch, Fluxys Belgium has signed a Memorandum of Understanding with the transmission system operators in the Netherlands and France to align technical cooperation and coordination for the conversion across national borders as much as possible.

Conversion started. At the request of the Belgian government, Synergrid (the federation of electricity and natural gas transmission and distribution system operators in Belgium) has drawn up an indicative conversion schedule. Fluxys Belgium has also incorporated this plan in its ten-year indicative investment plan (see page 73).

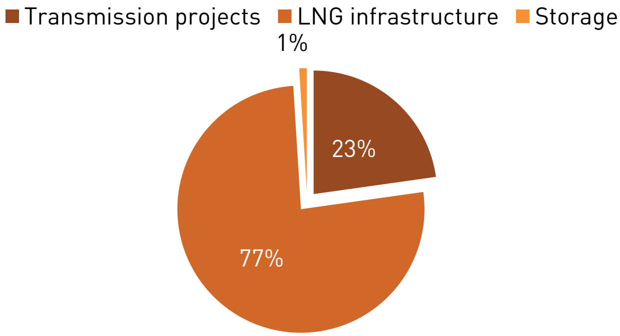


Indicative conversion schedule - Synergrid

Following on from multiple small conversion projects implemented over the 2016-2017 period, the first large-scale conversion took place in 2018. Fluxys Belgium has adapted its network with a view to converting several industrial consumers with a direct connection, as well as a part of distribution system operators Fluvius and RESA's network. These in turn have converted around 53,000 households and SMEs. Fluxys Belgium and the distribution system operators are also ready to continue the conversion as scheduled, with 2029 as completion date.

€78 million invested in infrastructure

Fluxys Belgium invested €78.1 million in infrastructure projects in 2018. €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).



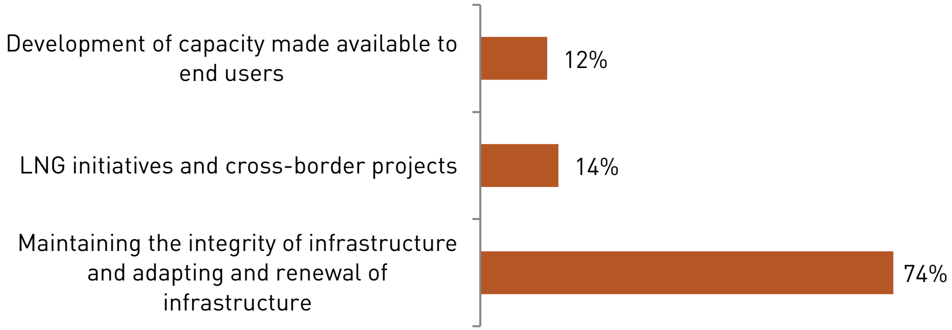
Overijse-Jezus-Eik and Maleizen (8 km). Construction of a new natural gas pipeline between Overijse and Jezus-Eik. A pressure-reducing station was also built at the starting point of the pipeline. The pipeline and associated infrastructure are ready for commissioning.

Zwijndrecht and Linkeroever (5.5 km). Some of the Fluxys Belgium natural gas pipelines in Zwijndrecht and Linkeroever are located on the site of the Oosterweel link project, which is intended to close the Antwerp Ring so that it fully encircles the city. In order to be able to decommission these pipelines, new pipelines will be laid outside the Oosterweel construction site. These new pipelines will be commissioned in summer 2019.

New connections and pressure-reducing stations. Over the course of 2018, Fluxys Belgium commissioned new industrial connections for Tessenderlo Chemie in Ham and Belasco in Ghent. Construction has begun on new pressure-reducing stations in Kalmthout and Dendermonde for deliveries to distribution system operators. These stations will be commissioned in 2019.

2019-2028 indicative investment programme: €529 million

Every year, Fluxys Belgium updates its ten-year indicative investment programme for its three core activities: the transmission and storage of natural gas, as well as LNG terminalling. The company plans to invest €529 million over the 2019-2028 period.



Thanks to significant investments made in recent years, the Belgian network has become a mature system with considerable entry capacity, a high level of interconnectivity with all neighbouring networks and systems, and bidirectional flows to and from all neighbouring countries.

Consequently, the projects in the indicative investment programme are mainly intended to **maintain infrastructure integrity** and to modify and repair infrastructure. Such projects include modifications to gradually convert the network from L-gas to H-gas.

Projects related to the **capacity made available to end users** predominantly involve adjusting and coordinating capacity with distribution system operators and connecting new industrial customers. This category of projects also encompasses network reinforcements to supply new power stations. The existing network globally has enough capacity to cover the offtake of new power stations in light of the nuclear phase-out in 2025. However, depending on their exact location, regional network upgrades may be required.

The **LNG initiatives and cross-border projects** include the construction of the fifth tank and associated process facilities at the Zeebrugge LNG terminal, as well as the potential capacity expansion of the Eynatten interconnection point in connection with the construction of the Zeelink pipeline in Germany.

Research and development

Applied research

Fluxys Belgium manages different projects of applied research either by itself or in conjunction with academic institutions. It also collaborates with Gas.be (formerly the Royal Association of Belgian Gas Companies) and other European gas companies under the umbrella of various national and international organisations including:

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

Optimised design of pressure-reducing and flow-control stations

In 2018, Fluxys Belgium further optimised the design and sizing of its pressure-reducing and flow-control stations. To that effect new devices have been developed for pressure and flow control that emit virtually zero greenhouse gases.

Loenhout storage facility: dynamic models of the underground

Dynamic geological model. In collaboration with the Geology Department at KU Leuven, a 3D geological model of the Lounhoet underground has been transformed into a dynamic model providing information as to the future development of the storage facility. It gives a clear picture of natural gas movements within the reservoir, how the gas interacts with water, and gas pressure changes within the facility. The model was completed in 2018.

Integration of innovative gas technology

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

Small-scale LNG

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

GOOD NEIGHBOURLY RELATIONS

As the operator of Belgium's natural gas transmission facilities, Fluxys Belgium is responsible for building safe infrastructure and ensuring its safe operation. The route of a pipeline or the location of an above-ground station are carefully chosen in close consultation with the local and regional authorities. Trough an open dialogue, Fluxys Belgium aims to establish good relations with all those affected by the construction and operation of our facilities. The company also ensures that the construction and operation of its infrastructure cause as little disruption as possible.

Constructing and operating safe infrastructure

Careful construction

All materials used, including steel pipes, comply with Belgian regulations and the international safety standards in force. For example, the quality of the pipes is approved at the factory by an authorised, independent inspection agency.

When working on any construction project, Fluxys Belgium only works with qualified and certified contractors and various departments within the company that are directly involved in the construction and operation of infrastructure have SCC certification for their HSE approach. Before any facility is commissioned, a series of tests is carried out under the supervision of an authorised inspection agency, for example, a leak test and a mechanical strength test. The condition of the pipes will then be regularly checked as part of an inspection programme. The pipes are also fitted with a cathodic protection system to prevent corrosion.

Providing information and raising awareness about works in the vicinity of our infrastructure

Damage to natural gas transmission pipelines is often caused by work carried out by third parties in the vicinity of our infrastructure (see 'Industrial risks' on page 135). As a result, anyone wishing to carry out work close to our pipelines is legally required to inform Fluxys Belgium of this in advance.

Identifying unreported works. However, some work is not reported or safety regulations are not always followed. To detect such works, Fluxys runs frequent patrols by car and helicopter (see 'Industrial risks' on page 135).

In 2018, Fluxys Belgium paid individual visits to around 30 contractors and clients who scored poorly when it came to reporting works in advance in order to raise their awareness of the importance of a proper approach to safety.

Information programmes. Fluxys Belgium runs a range of programmes to provide information and raise awareness about how to work safely in the vicinity of its infrastructure. The programmes focus on everyone involved in such works: architects, building managers, designers, contractors, owners and operators of land, municipalities, notaries and emergency services. Fluxys Belgium regularly issues reminders to all owners and operators of land on which Fluxys infrastructure is located, and the company also holds an information session for municipalities, police forces and emergency services, at least once every legislative period.

Thanks to the **careful action taken by all of our employees** in 2018, no damage caused by third parties involved the escape of gas or interruption of capacity.

The campaign on the risks of some **agricultural and horticultural work** continued in 2018.

In 2018, Fluxys Belgium received over 45,000 **works notifications**, 91% of which were made via the KLIP and KLIM-CICC portals.

Making it easy to report works. Fluxys Belgium is also committed to initiatives making it as easy as possible to report works. In recent years, compliance with the statutory notification requirement has been made much easier with the arrival of online portals, with Fluxys Belgium serving as one of the driving forces behind the Federal Cable and Pipeline Information Database (KLIM-CICC) since 2006. Considerable effort has been made over the last few years to improve KLIM-CICC and further digitise the underlying processes to provide users with the best possible service.

Safe and consistent digging methods in the vicinity of Fluxys infrastructure. Fluxys Belgium staff attend preparatory meetings on a dailby basis with regard to sites where third parties plan to work in the vicinity of natural gas transmission infrastructure. During these meetings, staff explain the safety measures to be taken.

Fluxys Belgium has also teamed up with the regional employment services VDAB and Forem to develop training courses for those involved in excavation works. Pipelines were laid on pilot sites so that practical digging exercises could be held using the Fluxys method. The programmes have been accredited by the Fund for Vocational Training in the Construction Sector. Furthermore, Fetrapi (the Belgian federation of pipeline transmission companies) is now also recommending this digging method, which simplifies matters for the contractors - the same rules now apply to excavation work performed near infrastructure operated by all Fetrapi members. Lastly, Fluxys Belgium has also worked with Air Liquide to develop a training course on the cladding of steel pipelines.

At the ready, 24 hours a day

A dispatching office is to natural gas transmission what an air traffic control tower is to an airport. This is where Fluxys Belgium dispatchers control and monitor natural gas flows on the network, day and night. The dispatching office also has a coordinating role when a gas smell, an incident or an accident is reported. At both Fluxys HQ and its regional branches, staff are ready 24 hours a day to take immediate action should an incident occur. A crisis team can also be rapidly deployed in case of an emergency. Fluxys Belgium regularly organises crisis drills to ensure the crisis team's responsiveness. Drills are also organised every year in consultation with the emergency services to exchange expertise and test emergency plans. As such, over the course of 2018 drills were held with emergency services in Vlaams Brabant and Limburg, alongside Fluxys Belgium's internal drills (see 'Industrial risks' on page 135).


FLUXYS
EKT

Open dialogue with residents

Personal contact: trust is a two-way street

Those who own or work on land have their own point of contact at Fluxys Belgium, from a project's preliminary phase to the restoration of a site following construction or operation works. This allows them to consult someone familiar with their concerns and the features of their land from the outset. These points of contact are part of Fluxys Belgium's team of negotiators and have a special task, namely to understand the interests of landowners and operators and defend them vis-à-vis Fluxys Belgium.

New infrastructure: securing consensus with our neighbours

Transparent communication from the project phase onwards. In the case of new infrastructure projects, from the planning phase onwards Fluxys Belgium aims to transparently provide information to and communicate openly with the relevant municipal authorities, local residents and other parties involved.

Information sessions. In relation to permit applications for major infrastructure projects, Fluxys Belgium suggests to the municipalities that the company organise an information session prior to the start of the permitting procedure. This gives the company a chance to discuss the project and its potential consequences with local residents and any feedback can be taken on board at the start of the project. For example, in the run-up to the construction of the pipeline between Kraainem and Haren four information sessions were organised in the municipalities of Kraainem, Machelen, Zaventem and Wezembeek-Oppem.

Agreements concerning agriculture, horticulture, forest management and hunting

Fluxys Belgium builds the vast majority of its facilities (pipelines and surface stations) in areas used for agriculture, horticulture or forest management. Good neighbourly relations are crucial between Fluxys Belgium and the owners and operators of land through which our facilities run or which are located in the vicinity of our facilities. With this in mind, Fluxys Belgium has concluded agreements with the country's three largest farming associations (the Boerenbond, the Algemeen Boerensyndicaat and the Fédération Wallonne de l'Agriculture), Hubertus (the Flemish hunting association), Landelijk Vlaanderen vzw and Nature, Terres et Forêts. These agreements set out the compensation due to those in the agriculture, horticulture or forest management industries that encounter disruption or are temporarily unable to use their land during the construction of a facility. If problems still occur following the completion of the works, Fluxys Belgium follows up on them on a case-by-case basis.

A key advantage of the agreements is that they lay the foundations for an approach in which everyone is treated equally, also with regard to compensation. The agreements set out the conditions under which something can be considered a disruption and how to calculate compensation paid by Fluxys Belgium.

Provision of pipeline maps and data

Every five years, Fluxys Belgium provides municipalities, emergency services and local police forces with a full overview of all Fluxys Belgium pipelines in their area. If new pipelines are commissioned or existing pipelines are moved during this period, the updated maps are automatically sent out.

Fluxys Belgium has also recorded data on its pipelines in databases that are constantly being updated and are made available to, among others, the Home Affairs FPS Crisis Centre, emergency services, and Communication and Information Centres (CICs) or emergency centres that centralise all requests for police intervention.

BRINGING THE ENERGY TRANSITION FORWARD

Together with the users of its infrastructure and distribution system operators, Fluxys Belgium provides end users in Belgium and on the Western European market with an energy source that can significantly contribute to cutting greenhouse gases and emissions harmful to air quality, thanks to its advantageous emissions profile.

Natural gas also has a growing role to play in replacing more harmful fuels in the transport sector, and the company is actively supporting the development of the necessary infrastructure. Furthermore, Fluxys Belgium is preparing for the influx of green gas into its infrastructure in order to further shape a carbon-neutral energy system, while also striving to minimise the impact of its own activities on the climate and the environment. We have set ourselves the goal of reducing our greenhouse gas emissions by 50% on 2017 levels by 2025.

International cooperation on the energy transition

Gas for Climate

Fluxys Belgium is a member of the Gas for Climate initiative launched to investigate and promote the role of renewable and emission-neutral gas in the energy system of the future. The initiative predominantly aims to fulfil the objective of the Paris climate agreement, namely to limit the global rise in temperature to below 2 °C. This means that the entire economy must be completely emission free by 2050.

Six other European gas transmission companies (Enagás, Gasunie, GRTgaz, Open Grid Europe, Snam and Terega) and two organisations representing renewable gas producers (European Biogas Association and Consorzio Italiano Biogas) work alongside Fluxys Belgium within the Gas for Climate initiative.

In 2018, Gas for Climate tasked Navigant with conducting a study into the future role of gas in an energy system with zero greenhouse gas emissions. The study shows that it is possible to establish an emission-neutral gas system in the EU by further scaling up the production of renewable gas by 2050. The study also indicates that the cost of a scenario with renewable gas is up to €140 billion lower per year than a scenario without gas.

Based on this study, Gas for Climate devised an action plan setting out tangible steps that can be taken today and in the future in order to achieve the ambitious climate targets. In late 2018, the consortium gave Navigant a new task, namely expanding on the previous study and incorporating industry and transmission as consumption segments, for instance.

Green Gas Initiative

Fluxys Belgium works closely with other European gas infrastructure companies to achieve a carbon-neutral gas supply (Green Gas Initiative). This cooperation is intended to look into how gas and gas infrastructure can help meet the EU's targets and reduce CO_2 and other harmful emissions. The Green Gas Initiative focuses on three key elements: biomethane, Power-to-Gas, and gas as a fuel in road and martime transport.--

Development of natural gas as transport fuel

Fluxys Belgium active on various fronts

Natural gas has the best emission profile of all fossil fuels, making it an important alternative fuel in the transport segment. Switching from petrol, diesel or heavy fuel oil to natural gas both immediately cuts carbon emissions and reduce the impact on air quality and health: nitrogen oxide emissions are up to 90% lower and emissions of sulphur and particulate matter are negligible.

Fluxys Belgium and the Fluxys group are active on several fronts to promote natural gas as a fuel for transport and to make this market more appealing. The main challenge lies in developing the infrastructure needed to easily refuel vehicles and vessels with natural gas. While compressed natural gas (CNG) in gaseous form is used for cars, vans, buses and commercial vehicles, liquefied natural gas (LNG) is the ideal solution for shipping and long distance freight transport.

LNG for shipping and freight continues to pick up

LNG is becoming increasingly important as a marine fuel, given the stringent regulations in force regarding sulphur emissions in the English Channel, North Sea and Baltic Sea. Some 95 LNG-powered vessels are currently operating in these areas, while orders have been placed for over 60 new vessels as well as a number of LNG-powered inland waterway vessels. Orders for new LNG-fuelled vessels are expected to increase further as sulphur emission regulations will become significantly stricter for all shipping traffic from 2020 onwards.

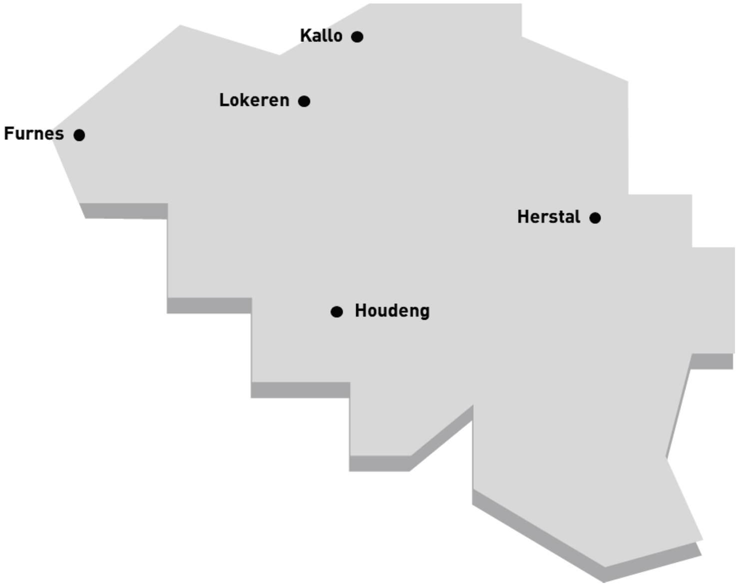
Inland waterway and seagoing vessels can refuel at ports.
LNG-powered seagoing vessels have been able to refuel with LNG bunkering vessels since 2017 thanks to the commissioning of the second jetty at Zeebrugge LNG terminal and the LNG bunkering vessel ENGIE Zeebrugge, in which parent company Fluxys is a partner and whose home port is Zeebrugge.

In 2018, parent company Fluxys acquired the concession for Port of Antwerp dock 526/528 with a view to expanding bunkering services for maritime transport. Various vessels use the dock to bunker LNG with LNG trucks.

In February 2019, parent company Fluxys teamed up with Titan LNG to build a bunkering pontoon that will be moored and replenished at dock 526/528 and will offer bunkering services to inland waterway and small coaster vessels throughout the Port of Antwerp and the surrounding area.


WB3P
WB4P

Upturn in LNG truck market. When it comes to long distance transport, logistics companies are increasingly turning to the cleaner LNG, especially now that trucks equipped with more powerful LNG engines are available on the market. By late 2018, Belgium was home to four static filling stations where trucks could refuel with LNG.

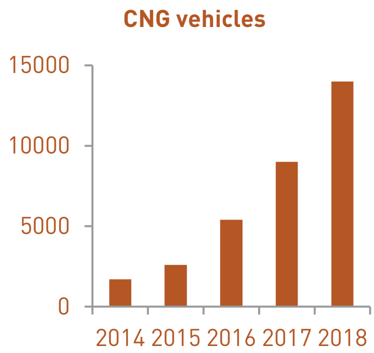


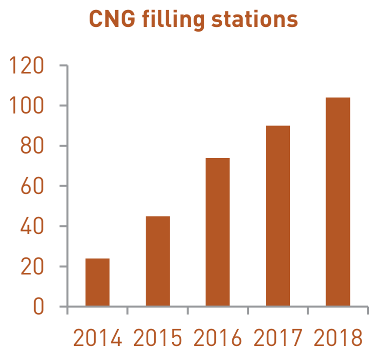
A mobile filling station has been operational at Houdeng (La Louvière) since January 2019 and over the course of 2019 will be replaced by a static station, a joint investment project between parent company Fluxys and haulier Mattheeuws; these companies have already built a station at Furnes.

CNG for cars and light freight still on the rise

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

The number of CNG vehicles rose almost 60% in 2018, from 9,000 to 14,000. CNG filling stations opened one after the other in 2018, with more than one being opened per month on average. There are now more than 100 stations, with numbers rising from 90 to 104. The number of CNG filling stations is expected to rise to 170 in 2019.





Belgium takes the first step towards providing green gas for consumers

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

Active voice in the Belgian energy debate

In order to promote the fundamental role of gas and gas infrastructure in the energy system, throughout the year Fluxys Belgium continued to highlight to Belgian authorities and policymakers the importance of pragmatic reflection on the future of energy in the country. To this end, we organised the first ever Fluxys Forum, an event where energy stakeholders could exchange ideas on securing a sustainable, low-carbon future.

Electricity currently covers around 20% of the energy consumed by homes and businesses in Belgium. A fifth of this electricity comes from renewable sources but a lot of effort is still required for this share to reach 100% green electricity. Another challenge will also be to make the remaining 80% of energy consumed greener. Petroleum products and solid fuels currently account for nearly half of the energy consumed. We need gas infrastructure to cut emissions: infrastructure for natural gas (which is considerably less polluting) today and for green gas tomorrow.

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

To this end, the company has also proposed three key principles underlying the future energy policy:

- Fully exploit the complementarity between the gas and electricity system
- Switch from the most harmful fossil fuels to gas and electricity
- Create a regulatory framework within which green gas and innovative technologies can be wholly integrated into our infrastructure

Fluxys Belgium: 50% reduction in greenhouse gas emissions by 2025

Fluxys Belgium wants to cut its greenhouse emissions by 50% on 2017 levels by 2025. To this end, the company has drawn up a roadmap and an action plan largely centred on cutting methane emissions from our activities and using 100% green electricity.

Efforts to further limit methane emissions

Total methane losses on the Fluxys Belgium network equal 0.024% of the total volume transported. This is less than the average methane losses on the European transmission system, which were estimated at 0.05% in a study conducted in 2018 by Marcogaz, the Technical Association of the European Natural Gas Industry.

With a view to halving its greenhouse gas emissions, Fluxys Belgium has created a four-pronged programme to combat the sources of methane loss on its network.

1. **Cut pneumatic emissions.** Modify equipment generating higher emissions or replace it with equipment controlled by electricity or compressed air. When fitting or modifying new control devices, preference is given to automatically controlled equipment that does not emit natural gas.

2. **Reduce fugitive methane emissions.** We already use a laser detection system to identify and measure any natural gas released into the air. The detection system is mounted on a helicopter that flies over the pipeline routes and produces particularly accurate results. Our teams in the field also conduct regular Leak Detection And Repair (LDAR) campaigns at our stations to detect sources of fugitive emissions. Based on the results of these campaigns, a decision is taken whether to repair or improve the stations.

3. **Limit emissions during work on the network.** During maintenance work, for example, we are sometimes required to shut off a section of pipeline and release the natural gas contained therein in order to ensure that we can work safely. Rather than letting natural gas escape into the air in a controlled manner, under certain conditions a mobile facility can be used to collect this gas, repressurise it and reinject it into the network elsewhere. Two mobile repressurisation campaigns were rolled out in 2018, capturing 735,000 m^3(n) of natural gas that would have otherwise been released into the air. In the same vein, during pigging (a technique used to clean the interior of pipelines and inspect the condition of pipeline walls for anomalies) methane emissions can be reduced significantly by using a mobile pressure-reducing station.

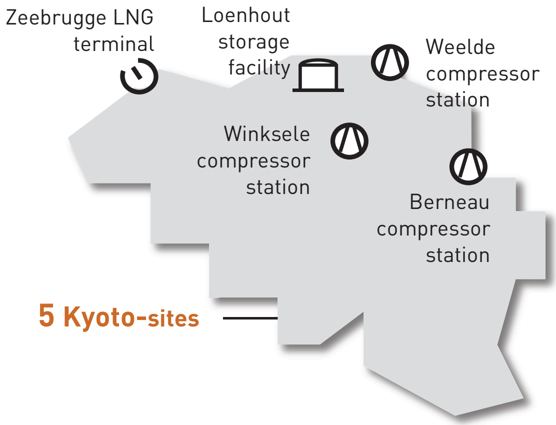
4. **Investigate other ways to cut methane emissions.** In addition to the steps taken as part of its action programme, Fluxys Belgium continues to look into other ways to reduce methane emissions. As such, several initiatives have been rolled out to study the feasibility of reducing certain operational emissions (such as those released when compressors start up or are shut down).

Efforts to further limit carbon emissions

Since 2013, Fluxys has used an **Open Rack Vaporizer at the LNG terminal** to regasify LNG using heat from seawater, which has a positive impact on energy consumption as well as emissions of CO_2 and NOx. The ORV was shut down for maintenance for almost two months in 2018, affecting CO_2- emissions.

When balancing the network or controlling gas flows, Fluxys Belgium strives to use its compressor facilities **as little as possible**.

Fluxys Belgium uses the most efficient **technologies in terms of pressure and flow regulation** when developing new pressure-reducing stations or making modifications to existing pressure-reducing stations.



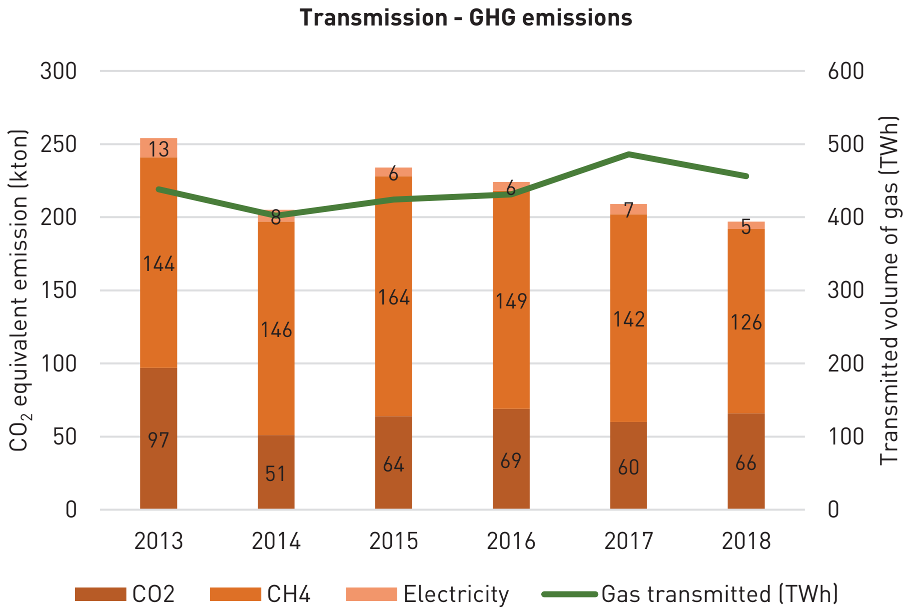
Fluxys Belgium has CO_2 emission rights for each of its five sites that are subject to the European Directive on tradable emission rights. An internal audit is organised and an emissions report drawn up (and undergoes an external audit) every year.

Greenhouse gas emissions in 2018

The operation of gas infrastructure (including staff use of motor vehicles) releases direct emissions of carbon dioxide (CO_2) and methane (CH_4). The company's electricity consumption is a source of indirect emissions.

Transmission

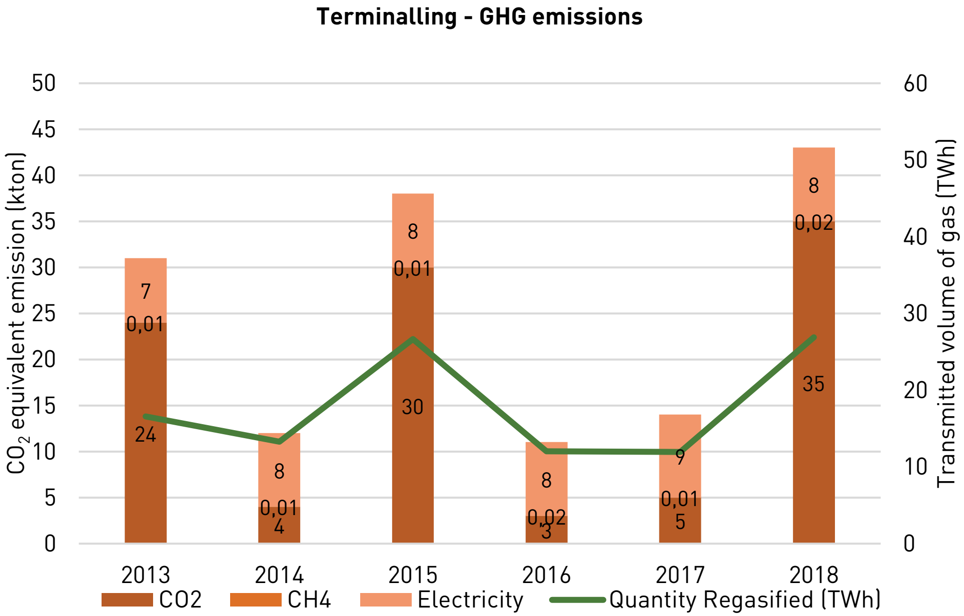
Emissions of greenhouse gases per volume of natural gas transported in 2018 remained more or less the same as in 2017. The programme to reduce methane emissions has paid off. At the same time, CO_2 emissions rose, primarily as a result of the higher levels of operation of the gas compressors in Weelde. The compression station in Weelde is mainly active during the winter period, but due to higher gas offtakes by French TSO GRTgaz the installation also remained active during spring and summer.



LNG terminalling

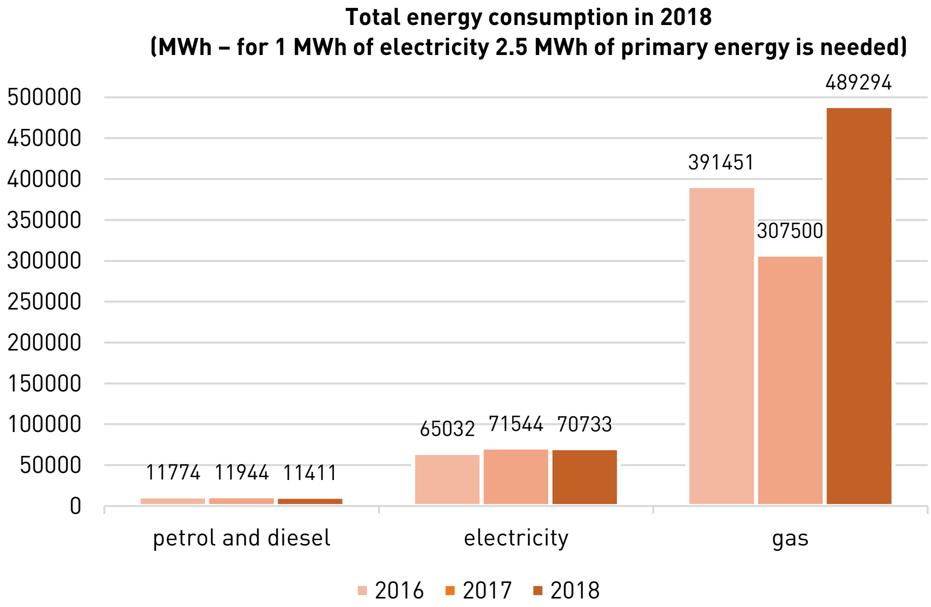
Greenhouse gas emissions from LNG terminalling activities rose in 2018 on the previous year's levels. As the Open Rack Vaporizer (ORV) at Zeebrugge LNG terminal was shut down for maintenance for almost two months, conventional regasification facilities were used during this time. CO_2 emissions per volume of regasified LNG rose by 37%.

If the ORV had been available over these two months, around 10,000 tonnes less CO_2 would have been emitted. Nevertheless, the quantity of CO_2 per volume of regasified LNG would have been higher. The ORV does not have enough capacity to meet all heating needs if demand for regasification is high.



Energy efficiency

Fluxys Belgium's industrial processes and general operation require natural gas, electricity, diesel and petrol. There was an increase in natural gas consumption in 2018 compared to 2017, predominantly as the result of greater use of the conventional regasification facilities at Zeebrugge LNG terminal following the shutdown of the Open Rack Vaporizer, which was out of action for maintenance for close to two months. To a lesser extent, the increase in the consumption of natural gas is also connected to the higher levels of operation of the natural gas compressors at Weelde compressor station.



Other environmental measures

Reducing noise pollution

Fluxys Belgium uses a number of techniques to limit the noise of its pressure-reducing stations, compressor stations and other surface facilities.

When building new infrastructure, potential noise pollution is taken into consideration from the design phase onwards. Fluxys Belgium opts for the most appropriate and beneficial solution in light of the legislation in force, the site of the infrastructure and various environmental factors.

Fluxys Belgium also takes targeted control measures to monitor its existing infrastructure for potential noise pollution and then makes the appropriate adjustments where noise levels produced by its infrastructure are out of kilter with the surroundings.

Soil surveys

The Winksele, Berneau and LNG terminal sites underwent a soil survey in 2018. These exploratory studies did not provide any evidence of soil contamination.

Conservation of ecosystems

Fluxys Belgium takes great pains to conserve ecosystems wherever it builds infrastructure. Environmental impact assessments gauge infrastructure's impact on ecosystems (see below). When laying a new pipeline, Fluxys Belgium always takes care to ensure that the environment is disturbed as little as possible, that the site can be fully restored to its original state once the work is complete, or invests in compensatory measures beneficial to nature.

Environmental impact assessments

An environmental impact assessment must always be appended to permit applications for the construction and operation of new facilities. Such assessments gauge a project's potential impact in various areas, including air, water and soil pollution, ambient noise, the production of waste, spatial integration, mobility, or the impact on biodiversity.

Preventive or mitigating measures are taken where necessary, such as:

- Tailoring the working method to the surrounding area (e.g. use of jacking or directional drilling) or minimising the work area
- Optimally integrating the surface infrastructure into the landscape
- Taking ecosystems into account when there is an intersection with a watercourse, more specifically by devising the soil profile to provide resting, feeding and spawning grounds for indigenous fish species

Wastewater treatment

All larger stations house a separate drain system and wastewater treatment plant (or reed bed filtration system).

Monitoring

13 external environmental complaints were made to the environmental coordinator in 2018. These mainly related to noise and the smell of gas.

Fluxys did not receive any fines or sanctions for failing to comply with environmental legislation or regulations. Four incidents that could have impacted the soil or water were reported to the authorities and ad hoc measures have been taken.

ENCOURAGING EMPLOYEE DEVELOPMENT

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

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

The personnel data in this section are based on the workforce of Fluxys Belgium and Fluxys LNG. Workforce statistics are based on all personnel in the personnel register, including active staff as well as those on long-term sick leave. Unless otherwise specified, the statistics refer to the number of employees and not the number of FTEs.

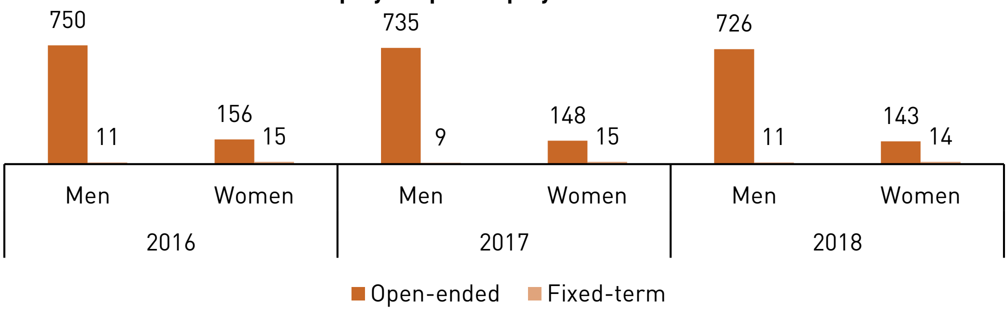
Organisation moving with the growth strategy

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

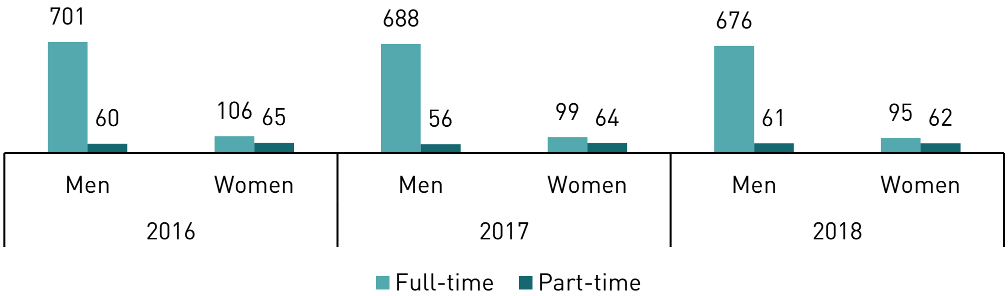
With this in mind, in 2018 we strengthened management with a view to the streamlining and transversal coordination of initiatives on innovation, green gas, reducing our ecological footprint, and expanding digitisation in the business model. Executive job descriptions have also been scrutinised and where necessary have been rewritten and weighted in line with the current business environment.

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

Employees per employment contract



Employees full-time/part-time



Attracting the right talent for today and tomorrow

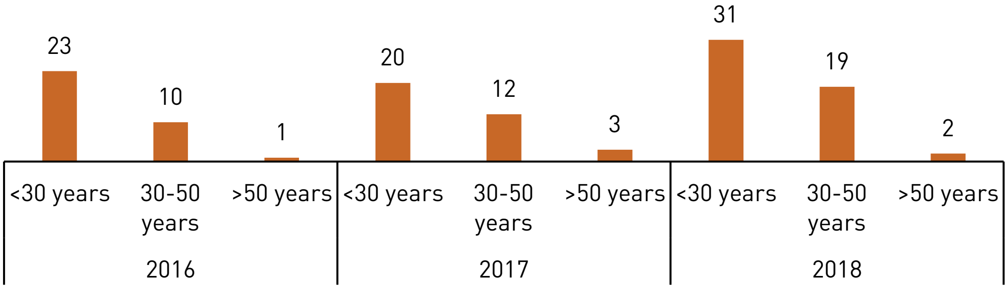
Based on its company objectives, Fluxys Belgium assesses its future staffing needs to gain a clear overview of which competencies are required now and in the future. This involves a sustainable, future-oriented recruitment approach: we attract driven, motivated and committed employees who over time could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

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

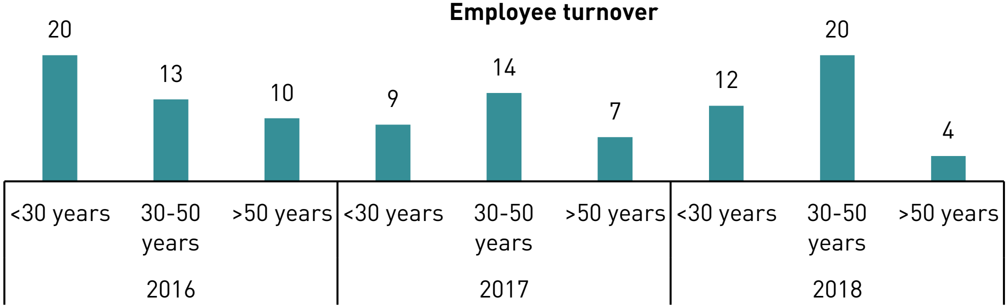
Fluxys Belgium is also continuing to work with the student community by, for instance, regularly attending career fairs and sponsoring campus activities.


Olivier
Gravenstein

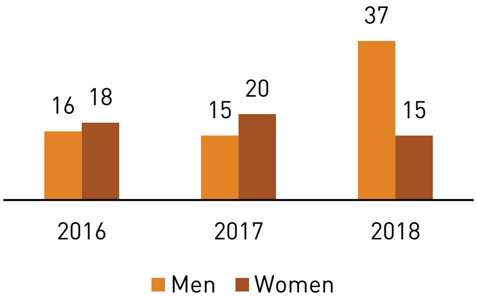
New hires



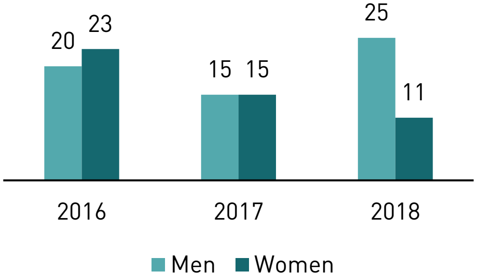
Employee turnover



New hires



Employee turnover



	2016	2017	2018
Ratio of outgoing employees	5%	3%	4%
Expected outgoing employees	22	27	25

Figures on outgoing employees include unforeseen outgoings (e.g. employer/employee dismissal, death). Expected outgoings includes those employees leaving due to retirement or the end of their fixed-term contract.

Ensuring that talent contributes to the company's goals

Two levers, tailor-made induction programmes and dynamic performance management help Fluxys Belgium employees to make the maximum possible contribution to achieving the company's goals.

To ensure that new employees and other members of staff get off to a quick and effective start in their new position, Fluxys Belgium uses a **personalised induction and integration programme** in which their managers play a central role. In every induction and integration programme an experienced member of staff acts as a mentor, providing the new colleague with guidance and support in their work environment.

Fluxys Belgium continues to promote **internal job mobility**; after all, this contributes to staff development and employability. 2018 was a dynamic year in this respect: 39 members of staff took the opportunity to move to another position within the company or elsewhere in the Fluxys group.

Fostering involvement

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

In the **performance management cycle**, constructive consultations take place each year at the various levels within the company to translate the corporate goals into personal goals. In the course of the year, these goals are the subject of regular dialogue between the staff members and their managers. Daily feedback forms the basis of this dialogue, which is formally complemented by performance reviews and assessment interviews. Employees are rewarded for their commitment to achieving the company's goals.

Allowing talent to grow and flourish

Fluxys Belgium’s competency management and professional development and training programmes are geared towards providing employees with the support they need to achieve both the company’s objectives and their own goals.

Competency management at Fluxys Belgium is focused on aligning staff competencies with what the company needs to make its strategy a success. Developing employees' individual competencies allows them to make the best possible contribution to the company's goals while remaining employable in the future. Fluxys Belgium has worked with a competency management system for executives and supervisors since 2012, while the competency model for salaried staff was introduced via workshops in 2018. All in all we organised eight workshops, attended by 104 managers in total.

Fluxys Belgium uses a model comprising four groups of competencies, namely Think, Do, Interact and Lead. Members of staff map their competencies every couple of years and use this to devise a targeted plan for their personal development. Following the same logic, managers are encouraged to coach staff with regard to both their performance and development.

The **development and training policy** ensures that members of staff have the relevant knowledge and skills. To boost the effectiveness of this policy, a varied mix of learning tools is used: educational tasks within or outside the jop description, internal and external coaching, internal and external training, and an online learning platform. Fluxys Belgium applies the bottom-up principle. Staff are expected to take control of their development and career, with the support of their managers.

Average number of training days per full-time equivalent		
2016	**2017**	**2018**
4.64	**6.23**	**6.14**

As well as technical and safety training, a wide range of courses are laid on to develop general skills centred on Think, Do, Interact and Lead. In 2018, members of staff completed over 39,000 hours of training, more than 67% of which comprised training in (gas) technology or safety, or job-specific training.

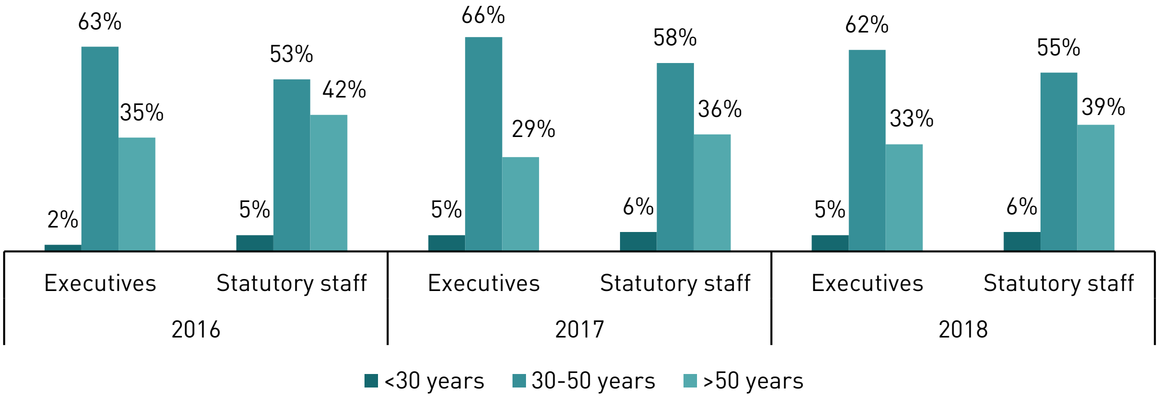
In a bid to improve employees' long-term employability within the company, Fluxys Belgium has introduced a comprehensive programme for developing their digital skills.

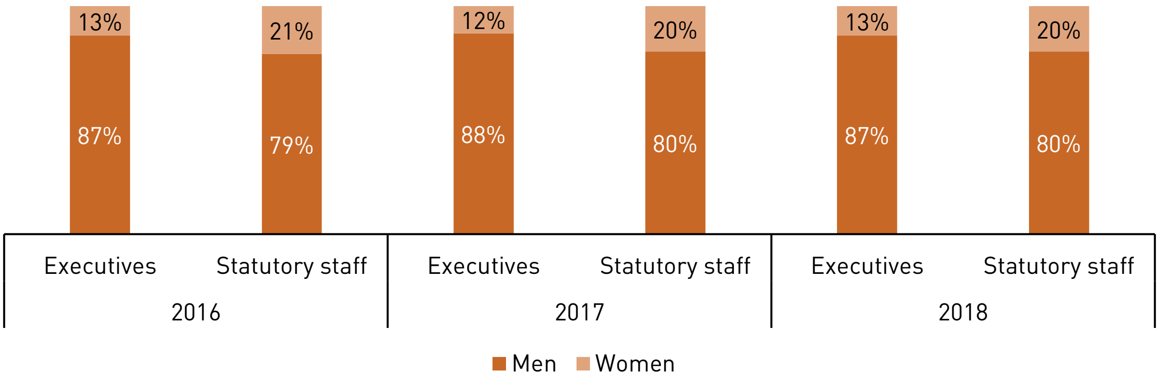
We began the transition to Windows 10 and Office 2016 in 2018. 165 employees in total took part in the extensive training programme launched to accompany this transition.

Fluxys Belgium maintains an overview of competencies within the company through the performance management cycle, development plans and the annual talent review process, among others. This process results in succession planning involving details of how to meet future staffing needs and so contribute to business continuity, growth and innovation. In the same vein, we also encourage internal job mobility and prioritise in-house candidates when seeking to fill vacancies or new positions. Our parent company Fluxys' international development also gives rise to opportunities for further career development.

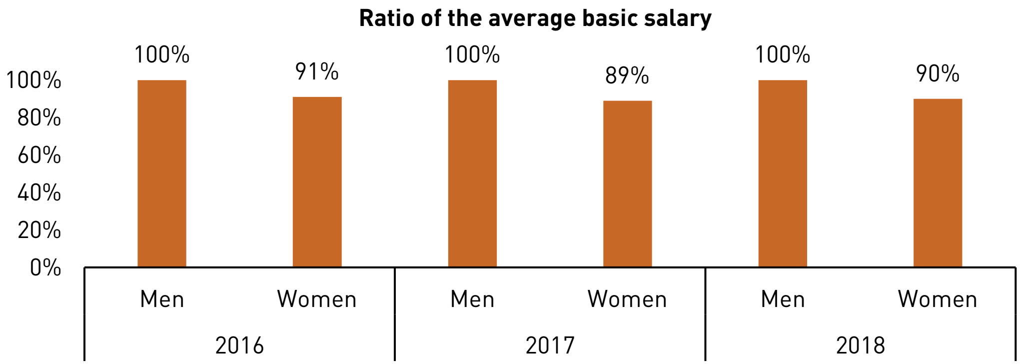
Diversity and non-discrimination

Men make up a large percentage of the energy sector workforce, as many of the roles within this sector are technical in nature and such profiles generally drum up less interest among women.

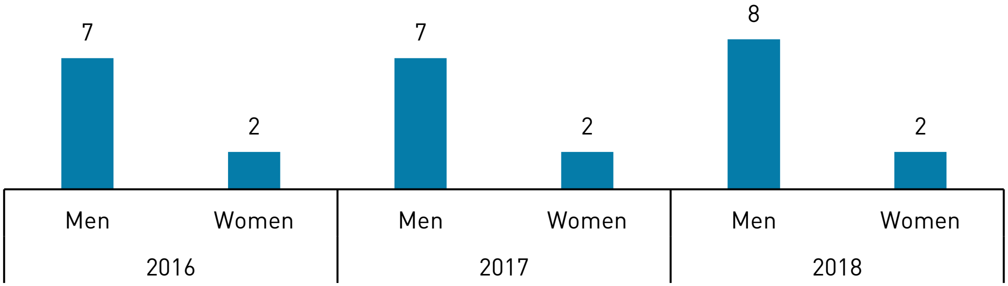




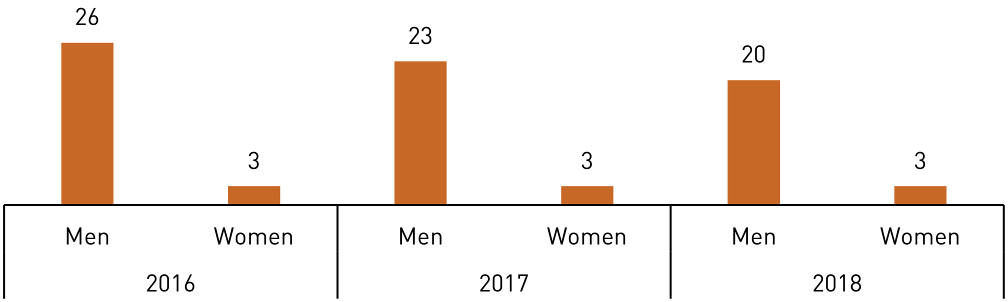
Fluxys Belgium's HR policy is competency-based and the company does not use positive discrimination quotas for female members of staff. The criteria applied for employee remuneration, evaluation, career development and training are identical for all genders. The difference in the average basic salary between men and women is due to the fact that the composition of both categories differs with regard to age, seniority, type of role, and the division between old and new salary conditions.



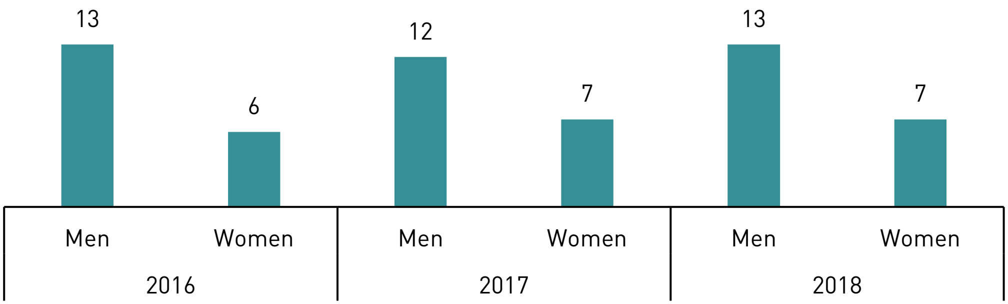
Executive committee



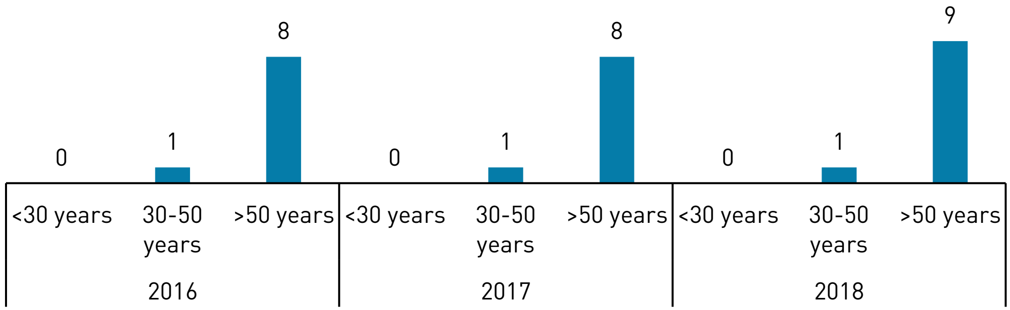
Senior Management



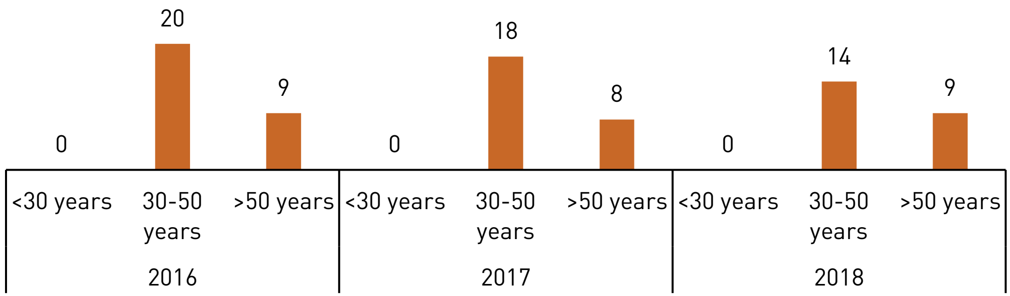
Board of Directors



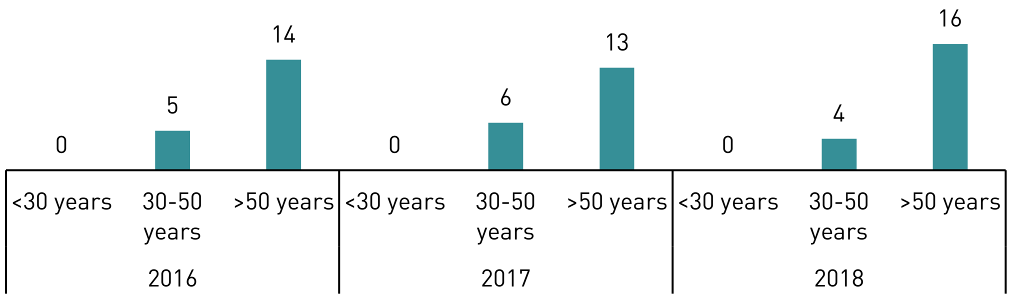
Executive committee



Senior Management



Board of Directors



Enhancing cohesion

Fluxys Belgium actively promotes a sense of solidarity and fun at work, encouraging employees to work with their department to organise a team building event where they provide a social organisation with practical support. In doing so they contribute to the good neighbourly relations that are so important to Fluxys Belgium while coming together as a team. The company is also home to a Circle of Friends where staff organise a wide range of sporting and cultural activities.

Transparent and constructive social dialogue

70% of Fluxys Belgium's staff are employees, while the remaining 30% are executives. Various collective bargaining agreements have been concluded for employees, while a number of agreements are in force for executives.

Good industrial relations are vital for company cohesion and activity development, which is why Fluxys Belgium engages in transparent, constructive social dialogue with all employees, members of the works council, the committee for prevention and protection at work, the trade union delegation and executive representatives.

When it comes to social dialogue, the company pays great heed to fostering constructive cooperation in an atmosphere of mutual respect. This cooperation takes shape in formal bodies, in working groups and during informal meetings.

FOSTERING WELL-BEING AT WORK

The company's HSE policy and its values highlight the importance of employee well-being for Fluxys Belgium. Healthy and motivated employees are the company's driving force.

Fluxys Belgium has also developed a range of programmes intended to protect employee health and promote ergonomics, occupational health and site safety. These initiatives help maintain a level of absenteeism below market levels.

Well-being initiatives

Following the 2016 commitment and well-being survey, Fluxys Belgium has continued to roll out initiatives to improve communication within the company and better manage workload. A new campaign was launched in 2018 to foster employee well-being by offering a more pleasant, stimulating working environment. This campaign comprised initiatives on health, safety, cohesion and management of working time. Fluxys Belgium used the World Day for Safety and Health at Work as an opportunity to organise corporate theatre performances on safety and handling stress. These were attended by over 500 employees.

Fluxys Belgium is certain that a healthy work-life balance is beneficial to employees' self-development, so all employees have the opportunity to work from home (provided that their role permits this) even occasionally or on a full-time basis. In 2018, 350 employees worked from home for close to 5,500 days.

Continuously aiming to reduce occupational accidents

In 2018, Fluxys Belgium staff were involved in 12 occupational accidents whereby the victim was unable to work, resulting in a total of 354 working days lost. The severity of these accidents was 0.26. Half of these accidents occurred when travelling. The company continues to pay special attention to the risks inherent to travel. Though only three occupational accidents occurred during the performance of a task or manual handling of loads, these accounted for over 80% of the working days lost.

In any case, every accident is analysed and measures are taken to prevent them recurring. According to figures from contractors, there were 11 occupational accidents involving Fluxys Belgium contractors, eight of which rendered the victim unable to work. However, Fluxys Belgium has not verified these figures.

Global Prevention Plan

Fluxys Belgium brings together its initiatives to better prevent occupational accidents and incidents in a five-year Global Prevention Plan (GPP). The 2017–2021 GPP focuses on safety (occupational safety and process safety) as well as, for instance, the prevention of psychosocial risks, well-being, health and travel.

In this regard, in 2018 Fluxys Belgium introduced a **policy on absenteeism**. Adopting a policy on absenteeism due to illness is one of the ways in which Fluxys Belgium keeps an eye on its employees' health. Fluxys Belgium has also made efforts to clarify the arrangements in place in the event of absence due to illness by entrenching them in a positive absenteeism policy based on cooperation between the employee, manager, HR team and the internal and external team for prevention and protection at work. In 2018, for instance, over 50 employees had a back-to-work interview following long-term sick leave in order to make arrangements regarding, for instance, adapted work or part-time return to work.

Committee for Prevention and Protection at Work

Fluxys Belgium also has a Committee for Prevention and Protection at Work (CPPW), a consultation body between employees, the employer and management where they can discuss issues and problems concerning employee well-being. The CPPW meets every month. It is mainly tasked with actively contributing to everything intended to promote and maintain employee well-being at work. This primarily involves giving advice and making proposals concerning, among other aspects, the policy for preventing accidents, incidents and occupational illnesses, the Global Prevention Plan and the annual action plan.

Furthermore, the CPPW inspects each of Fluxys Belgium's manned facilities at least once a year and helps investigate serious accidents and incidents. The CPPW comprises a number of ad hoc working groups on specific topics, such as work clothing, commercial vehicles, and the reintegration of sick employees.

Collective bargaining agreements on employee health and well-being

There are various collective bargaining agreements relating to the health and well-being of all Fluxys Belgium employees.

For example, the **Local Joint Consultation** (the consultation body between the trade union and employer delegation at local level) is intended to solve those day-to-day problems that do not solely fall within the remit of one of the other consultation bodies, such as the works council or CPPW. Meetings are held at least once every three months depending on the location.

CAO no. 90 (non-recurring performance-related premium): The 2017-2018 plan (for salaried personnel on one hand, executive staff on the other) encourages employees to work towards certain goals. This also includes goals relating to safety and well-being such as (i) tidiness and cleanliness at work, (ii) the Last Minute Risk Analysis (a brief reflection in the workplace, including a risk assessment, just before starting a task), (iii) team building with a social aim, (iv) safety inspections, visits from the occupational physician, and so on.

There is also the **Joint Social Fund**, which was set up within Fluxys Belgium and Fluxys LNG by the works council. Active and non-active staff are entitled to a range of benefits associated with health and well-being. The Fund also offers support to beneficiaries experiencing difficulties due to an unexpected event or medical or social problems.

Psychosocial risks. Fluxys Belgium takes measures to prevent psychosocial risks (including stress, violence, bullying and sexual harassment) in the workplace. Any employee who, in spite of the preventive measures taken, declares that they are facing a psychosocial risk (including violence, bullying or sexual harassment) perpetrated by one or more colleagues or one or more third parties can request advice, assistance, refuge or appeal for psychosocial intervention directly from the health and safety advisor and/or the support officer appointed in accordance with the law. As such, 2018 saw 11 informal discussions with the support officer and 3 with the external health and safety advisor. None of these discussions resulted in further formal action.

ETHICS AND HUMAN RIGHTS

Fluxys Belgium takes a number of actions intended to issue codes of conduct and rules concerning employee ethics and rights, make personnel (and third parties) aware of this, and encourage them to comply.

Ethical code of conduct

The ethical code of conduct translates Fluxys Belgium's corporate values into working principles that apply to stakeholders (customers, suppliers, employees, shareholders and partners, public authorities and regulators, group companies and the community) and guidelines on HSE (Health, Safety, Environment), conflicts of interest and the dissemination of information. The ethical code of conduct applies to both employees and third parties working on behalf of Fluxys Belgium.

Fluxys Belgium has also issued guidelines on the use of social media with a view to achieving a balance between every employee's freedom of speech and right to privacy on the one hand and on the other the company's duty to ensure that employees, in their capacity as members of the Fluxys Belgium workforce, do not make statements that are incompatible with the company's values.

Procurement policy

Depending on the type of procurement in question, Fluxys Belgium adopts the most suitable approach in terms of market consultation. Most contracts for goods or services are concluded with Belgian companies.

Principles. The company's procurement policy is regularly reviewed and is built on five main principles:

- Fluxys Belgium systematically opens up contracts by having potential contractors compete through quotes and tenders and by limiting the duration of contracts.
- Transparency and non-discrimination are fundamental factors in maintaining lasting relationships with contractors and developing in-depth market knowledge.
- In the procurement process, every effort is made to strike the best balance between safety, reliability and cost, the aim being to contribute to the company's profitability and continuity.
- This approach must lead to an optimal result that is in line with Fluxys Belgium's strategic aims, values and ethical code of conduct.
- As such, Fluxys Belgium has opted for a centralised procurement process featuring the dynamic distribution of roles between requester and buyer, resulting in a pragmatic and efficient partnership for implementing procurement in practice.

Changes in supplier. In 2018, Fluxys Belgium entered into contracts with 105 new suppliers and ceased trading with 58 suppliers for a range of reasons (discontinuation of activities, merger, breach of contract, changing needs, or because they no longer met the criteria used during the call for tenders).

Audit for instances of fraud or complaints about unethical behaviour. The Audit, Risk, Ethics & Compliance Department audits the procurement policy every year for instances of fraud and audits the procurement process itself every three years.

As per the audit plan, regular audits cover purchases and payments, non-discrimination in providing access to the market, and the confidentiality of information.

Complaints about unethical behaviour are detailed in the annual compliance report drawn up by the Compliance Officer and published on the Fluxys Belgium website.

Human rights

Fluxys Belgium strives to respect human rights through the ethical code of conduct, the work regulations, a number of collective bargaining agreements and specific regulations. This covers the following rights, among others:

- The right to decent work (for the company's employees and those employed by our suppliers) and well-being
- Right to rest and free time (flexible working hours, short leave)
- Equal opportunities, freedom from discrimination
- Protection of the work-life balance (including working remotely, short leave)
- Freedom of assembly and association
- Right to protection from risks at work, including stress, violence, bullying and sexual harassment

When Fluxys Belgium purchases services or materials, the applicable procurement conditions also contain provisions on the prohibition of illegal work, forced labour or child labour, the protection and insurance of contractor employees, and so on. Fluxys Belgium ensures that the necessary emphasis is placed on these aspects during the assessment of its suppliers.

Monitoring

In 2018 there were no complaints about fraud or other unethical behaviour within the company, nor were there any legal proceedings concerning anti-competitive behaviour or failure to comply with competition law.

6. RISK MANAGEMENT

Internal control and risk management systems

Reference framework. Fluxys Belgium applies the COSO model (based on ISO 31000) as its reference framework for internal control and risk management. The risk management process is a continuous and cyclical one, to ensure ever more comprehensive mapping and effective control of risks.

The Risk Charter sets out the organisation, development and management of the risk management process for Fluxys Belgium and its subsidiaries. It encompasses the identification, analysis, evaluation and treatment of risks in order to assist management in meeting company objectives. The Charter also lays down the principles, procedures, roles and responsibilities associated with risk management.

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

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Executive Board. In this way, the Committee ensures that the most important risks are suitably identified, managed and communicated. Risks associated with social, personnel and environmental issues, respect for human rights and tackling corruption and bribery are considered in the relevant processes and departments. Since late 2017, the most important risks have been monitored on a regular basis and reported to the Executive Board. The Executive Board is responsible for implementing risk management. In this capacity, the Executive Board evaluates the risks and the measures taken to mitigate them.

In a bid to ensure efficient internal controls, Fluxys Belgium has put in place a separation of functions in its processes and IT systems intended to limit the risk of errors and fraud in its accounts. In addition, control functions are in place within key departments which regularly evaluate the latter's respective risks and controls, and adjust and report on them. A budget monitoring exercise is also held regularly as part of financial reporting. The monitoring, which focuses on comparing the budget with the actual figures and with forecasts, is carried out for the group as a whole, with the results being reported to the Executive Board on a regular basis. Fluxys Belgium uses SAP as its system for financial reporting.

Fluxys Belgium also sets Key Performance Indicators (KPIs). The company's main KPIs relate to the corporate objectives concerning, for example, safety, continuity of gas flows, marketing, market development, budget balance and HR policy.

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

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

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

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

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

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

Market risk

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

In light of Europe's energy and climate policy, the shift towards greater energy efficiency and a low-carbon energy mix in favour of, among others, renewable energy sources ultimately endangers the development of demand for natural gas. While the number of long-term transmission contracts is dwindling, the number of short-term transmission contracts is on the rise. This is why Fluxys Belgium is carefully considering where to invest in new infrastructure.

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

In the electricity generation segment, the load factor of Europe's gas-fired power plants is contingent on a range of factors, such as the extent and rate at which generation capacity with renewable energy sources increases, the weather, changes in the price of coal and CO_2 emission rights. For natural gas transmission companies, the uncertainty surrounding the load factor of gas-fired power plants fosters uncertainty around capacity bookings for these power plants. However, the nuclear phase-out opens up new opportunities for gas-fired power plants.

The energy transition and efforts to improve air quality also afford opportunities to Fluxys Belgium as a gas infrastructure company. Thanks to gas infrastructure, major steps can be taken now in terms of heating, mobility and heat demand in industry to reduce CO_2 emissions and air pollution immediately. More specifically, switching to natural gas will mean fewer emissions of particulate matter and other air pollutants such as nitrogen oxides, as well as a drop in CO_2 emissions. CO_2 emissions will fall even further as more green gas flows into the gas system (see also 'Gas infrastructure: A cornerstone of a carbon-neutral energy system' on page 27).

Fluxys Belgium minimises the market risk by monitoring the market closely and so seizing the opportunities presented by an increasingly volatile market, by organising targeted marketing campaigns involving, for example, the development of innovative products, by offering competitive tariffs and by conducting a tailor-made depreciation policy. The activities of sister companies within the Fluxys group are also reducing the level of risk with their efforts to maximise flows on transmission routes upstream and downstream of the Belgian network, which are having a favourable impact on flows within the Belgian network itself. Fluxys Belgium promotes its assets in new natural gas flows that will substitute declining European production.

Financial risk: counterparty risk

Fluxys Belgium systematically assesses its counterparties' financial capacity and closely monitors receivables. Company policy regarding counterparty risks requires that important customers and suppliers undergo a financial analysis (liquidity, solvency, profitability, reputation and risks) in advance and subsequently on a regular basis. The company uses internal and external information sources to this end, such as official analyses performed by specialist rating agencies (Moody's, Standard & Poor's, and Fitch). These rating agencies assess entities in relation to risk and award them a credit rating. Fluxys Belgium also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. Furthermore, the group asks most of its customers and certain categories of suppliers to provide a financial guarantee, thereby reducing the group's exposure to credit risk both in terms of default and concentration of customers.

Cash surpluses belonging to Fluxys Belgium are deposited with parent company Fluxys within the framework of cash pooling agreements. Fluxys invests the cash surpluses with prominent financial institutions or in the form of financial instruments issued by companies with a high credit rating, or in financial instruments issued by companies in which a creditworthy authority is the majority shareholder or which are underwritten by a creditworthy EU Member State, or in loans to Fluxys subsidiaries at market conditions. Through monitoring its subsidiaries, Fluxys reduces and manages the counterparty risk for the subsidiaries as well.

Industrial risks

The main activities in which Fluxys Belgium is involved are the transmission and storage of natural gas and LNG terminalling in Zeebrugge. Given the nature of the product Fluxys Belgium transports, the company adopts a comprehensive safety and security policy.

Risks linked to the operation of Seveso sites. In 2018, Fluxys Belgium and Fluxys LNG operated two Seveso sites: the LNG terminal in Zeebrugge and the underground storage facility in Loenhout. In accordance with Seveso legislation, Fluxys Belgium and Fluxys LNG pursue a proactive risk-management policy covering well-being at work, industrial safety and the environment. The Federal Public Service Employment, Labour and Social Dialogue also conducts specific inspections at both Seveso sites in conjunction with the Flemish government's Environment Department.

Damage to infrastructure caused by third parties. Serious pipeline incidents are often the result of damage caused by third parties. To avoid such damage, anyone planning or wanting to carry out work in the vicinity of natural gas transmission infrastructure is legally required to notify Fluxys Belgium in advance. Fluxys Belgium responds to each notification and confirms whether or not any natural gas transmission infrastructure is located in the vicinity of the works. If this is the case, the applicant is sent all relevant information and details of further procedures to be followed to carry out the work safely. Fluxys Belgium also plays an active role in initiatives to keep the notification requirement threshold as low as possible. This, along with the careful action taken by all of our employees, resulted in no damage with escape of gas or interruption of capacity caused by third party works.

Pipeline routes are also patrolled by car, helicopter and on foot, thereby providing contractors with support when working in the vicinity of these routes. Inspection patrols are also intended to check that no unreported works are being performed in the vicinity of Fluxys Belgium pipelines, for instance. Furthermore, all main pipelines are fitted with an acoustic detection system. A special helicopter uses infrared technology to check the gas network for leaks every year.

Fluxys Belgium regularly evaluates this integrated administrative and operational approach to works by third parties to identify ways in which it can be improved and if such improvements are necessary. The company also implements an active awareness-raising policy on safety issues concerning its natural gas transmission infrastructure for local authorities and all parties involved in works nearby.

Safety management systems. Fluxys Belgium monitors public safety, the environment, and employee well-being during the design, construction, commissioning, inspection, operation and decommissioning of its facilities. To ensure a structured and efficient approach here, Fluxys Belgium uses a Quality & Safety Management System in its transmission activities. The system incorporates the relevant legal requirements and standards and is constantly adjusted in light of the latest developments and improvements. The management system for storage and LNG activities is covered by the Seveso legislation and is supervised by the relevant authorities.

Damage to infrastructure caused by Fluxys Belgium works. Damage can also occur when Fluxys Belgium commissions or repairs infrastructure. All incidents or near-incidents are investigated thoroughly and action is taken immediately to prevent such incidents from recurring.

Preventing corrosion. Where possible, the pipelines are periodically inspected internally using intelligent pipeline inspection gauges. The underground pipelines are covered with an external coating to prevent corrosion. Fluxys Belgium also uses a cathodic protection system to provide additional electrical protection in case of coating errors.

Crisis management. Competent teams have been set up to manage and control crisis situations prompted by possible incidents and accidents involving a facility operated by Fluxys Belgium or Fluxys LNG. All members of these teams receive special crisis-management training and Fluxys Belgium organises crisis drills on a very regular basis to ensure that the group is always ready to respond to an incident.

Availability, reliability and safeguarding of ICT. The activities of Fluxys Belgium and Fluxys LNG are becoming increasingly dependent on the availability of ICT and ICS (industrial control systems). These systems may malfunction as a result of events outside Fluxys Belgium's control. Fluxys Belgium has taken measures to gear the availability of its IT systems to its needs. For example, for several systems such as those used to manage natural gas flows on the network, back-up facilities are in place and can be activated as soon as a malfunction occurs, thus ensuring continued operation.

Insurance and bank guarantees

Fluxys Belgium assesses the likelihood of the main risks connected with its activities and estimates the potential financial impact thereof. Depending on the possibilities and the market conditions, the group mainly covers these risks via the insurance market. In some cases, risks are partially reinsured by Flux Re, a wholly-owned subsidiary of Fluxys Belgium, or are partially self-retained, for example by applying appropriate deductibles.

The fact that Flux Re is fully consolidated in the group's accounts means that the cost of accidents covered by the group's reinsurance policy are booked to the consolidated result. Flux Re also reinsures certain risks facing other companies in the Fluxys group. Where appropriate, compensation in the event of these parties suffering an accident will impact the Fluxys Belgium group's IFRS consolidated result.

The comprehensive cover is in line with European best practices in the field and includes the different areas in which risks may materialise:

- Protection of facilities against various types of material damage and in specific cases also additional cover for operating losses
- Protection against third-party liability by means of comprehensive, multi-level cover
- Staff programme: mandatory insurance cover (statutory insurance against occupational accidents) and staff healthcare programme
- Protection of the vehicle fleet by means of appropriate insurance

Within the framework of its policy in connection with the risks associated with its commercial activities, for most of its activities Fluxys Belgium can request a contractual guarantee from its counterparties in the form of a bank guarantee, a guarantee issued by a creditworthy parent company or a cash deposit if they do not meet the set creditworthiness requirements. Fluxys Belgium closely monitors the commercial debts owed to it and systematically assesses the financial capacity of its counterparties. The risk of default is therefore limited but Fluxys Belgium cannot rule out such a risk completely or, by extension, a potential negative impact on its financial situation.

7. LEGAL AND REGULATORY FRAMEWORK

Europe

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

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

Belgium

Within the current legal and regulatory framework, a regulated system is applied to transmission (both domestic and border-to-border), natural gas storage and LNG terminalling. As required by European legislation, the Belgian market is supervised and overseen by independent regulators. The supervisory authority for the regulated activities of the Fluxys Belgium group is the federal regulator, the Commission for Electricity and Gas Regulation (CREG).

Legislation

The Belgian Gas Act forms the general basis of the regulatory framework and incorporates the main principles that apply to the activities of Fluxys Belgium and Fluxys LNG as operators of the transmission network, natural gas storage facilities and LNG terminalling facilities.

The third package of legislative measures, in particular the Directive of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, was transposed into Belgian legislation (Law of 8 January 2012 amending the Gas Act adopted as of 21 January 2012):

- The legislation provides for a procedure for certifying operators of the transmission network, natural gas storage facilities and LNG terminalling facilities. The aim of this certification is to verify compliance with the requirements of unbundling operators from energy suppliers or producers (ownership unbundling). On 27 September 2012, CREG certified Fluxys Belgium as a transmission system operator that works entirely separately from natural gas suppliers and producers.
- In addition to the certification procedure, the procedure for appointing operators of the transmission network, natural gas storage facilities and LNG terminalling facilities remains unchanged by Ministerial Decree. As a result, on 23 February 2010 Fluxys Belgium was appointed operator of the natural gas transmission network and of the natural gas storage facility, and Fluxys LNG as operator of the LNG facility.
- CREG is also responsible for developing the methodology for transmission, storage and LNG terminalling tariffs after having undertaken a public consultation on the subject. Operator tariff proposals must be approved by CREG.

Setting tariffs

General

The decisions pertaining to the establishment of the tariff method for the natural gas transmission network, the natural gas storage facility and the LNG facility were approved by CREG on 18 December 2014. This method includes the rules that network operators must comply with when preparing, calculating, and submitting tariffs for the period 2016-2019 and which the regulator itself will use for processing these tariff proposals.

The 2016-2019 tariff proposal submitted by Fluxys Belgium on 30 June 2015 based on that method was reviewed. The reviewed version was finally approved by CREG on 29 October 2015. The approved tariffs are valid for four-year periods except in the case of exceptional circumstances. As a result, 2016 was the first year of the four-year regulatory period.

Thanks to the interim tariff review mechanism, as provided for in CREG's approval decision, an amended tariff proposal for transmission services was submitted on 26 April 2017, which was approved by CREG on 24 May 2017, providing for a decrease in tariffs for 2018 and 2019. This follows on from a previous tariff reduction, which took effect on 1 January 2015. The tariff decrease for transmission services on 1 January 2018 has not caused a fall in Fluxys Belgium's profits, which are largely determined by the regulated rate of return.

On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) No. 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff methodology for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs. This will have an impact on the determination of tariffs in the following regulatory period (2020-2023).

The updated tariff proposal that Fluxys LNG submitted on 25 May 2018 was approved by CREG on 28 June 2018. CREG requested that a new tariff proposal be submitted once construction of the transshipment service facilities is complete. An adapted tariff proposal will not significantly affect the regulated return for 2018.

Principles

The tariffs must cover the estimated authorised costs necessary to be able to efficiently provide the regulated services. The basis for this calculation is the accounting according to the Belgian accounting rules (Belgian GAAP). The estimated authorised costs include the operating costs, financial expenditure and regulated return.

Operating costs. The operating costs are divided into:

- manageable costs, for which efficiency gains or losses are distributed proportionately between Fluxys Belgium (rise or fall of authorised profits) and regulatory assets or liabilities (increase or decrease of future tariffs);
- non-manageable costs, for which deviations from the estimated value are fully allocated to the regulatory assets or liabilities.

This encourages Fluxys Belgium to perform its activities in the most efficient manner possible. Every saving against the estimated and permitted budget for manageable costs has a positive impact on the pre-tax gross profits for 50% of the amount. On the other hand, exceeding budgets negatively influences the profit.

The following costs are not considered manageable costs: depreciation, costs relating to other regulated activities, subsidies, taxes, duties and expenses relating to the purchase of commodity products for the operation of the network. Staff costs, business expenses, services and various goods are considered under manageable costs.

Financial expenditure. Financial expenditure relates to net financial costs, i.e. after deduction of financial income. All actual and reasonable encountered financial costs relating to debt financing for regulated activities are consequently included in the tariffs.

Regulated return. The regulated return is the return on equity invested authorised by the regulation. This is calculated based on a **remuneration percentage of the average annual value of the regulated assets** (average Regulatory Asset Base - RAB). This RAB, based on the calculations under Belgian accounting standards, varies from year to year, taking into account new investments, decommissioning, authorised depreciation and changes in operating capital.

This **remuneration percentage is made up of two components** determined by the equity/RAB ratio (= S factor).

1. **For the equity part up to 33% of the RAB, the following applies:**
   average RAB in year n x 33% x [(OLO n)+(ßx risk premium)] x (1+α)

   The remuneration percentage (%) as established by CREG for the year 'n' is equal to the sum of the risk-free interest rate, i.e. the average rate on 10-year Belgian linear bonds (OLOs), and a premium for the risk of the shares market, weighted with the applicable beta factor. The reference financial ratio of 33% is applied on the average value of the Regulatory Asset Base (RAB) to calculate the reference equity. The following applies:

   - OLO n = for year n, the average interest rate for 10-year Belgian linear bonds. This came to 0.81% in 2018 and 0.74% in 2017.
   - ß (network operator risk against global market risk) = 0.65 for transmission; 0.78 for storage and terminalling
   - risk premium = 3.5%
   - α (illiquidity premium) = 20% for transmission and storage

2. **For the part of the equity that exceeds 33%:**
   average RAB in year n x (S - 33%) x (OLO n + 70 basis points)

   CREG encourages a ratio between equity and regulatory asset base that is as close as possible to 33%. As a result, the part of the reference equity that exceeds 33% of the regulatory asset base is remunerated at a lower tariff, i.e. the average rate on 10-year Belgian linear bonds and a premium of 70 basis points.

The methodology also provides for a specific level of authorised margin for new facilities or extensions to facilities to promote security of supply, or for new facilities or extensions to storage or LNG facilities. The remuneration of the LNG facilities combines a RAB x WACC formula on the initial and replacement investments of the terminal with an IRR (Internal Rate of Return) formula on extension investments undertaken since 2004. CREG establishes a maximum IRR per investment, which Fluxys LNG may not exceed to ensure the attractiveness and competitiveness of the LNG terminal.

The principles of the IRR model for the extension investments by Fluxys LNG have been approved by CREG and confirmed in its decisions of 2 October 2014 and 28 June 2018.

New tariff methodologies for 2020-2023. In June, CREG, the federal regulator, set out new tariff methodologies for the transmission and storage of natural gas and LNG terminalling for the period 2020-2023. These new methodologies are based on existing principles that have been honed and supplemented.

- The system ensuring that tariffs cover all reasonable costs (including interest and fair remuneration) continues to apply.
- The calculation of fair remuneration has been refined to boost stability. As such, the risk-free interest rate is no longer adjusted on an annual basis. It is now set in advance for the entire regulatory period. In addition, the regulatory ratio between equity and borrowed capital has changed from 33/67 to 40/60.

- Alongside incentives to control costs, several new incentives have been introduced to monitor and manage some aspects of company performance. The share of savings made by the company has been adjusted to limit additional gains.

Annual settlement

Every year, a settlement is made which compares the estimated amounts with the real amounts. These differences are registered on a regulatory asset or liability in the year in which they occur. This applies to the different aspects of the tariff calculation, namely:

- the estimated sales volumes used to determine the unit tariff;
- operating costs;
- financial expenditure;
- the regulated returns.

This results in a regulatory debt (if for example the real volumes exceed the estimates or if the operating costs, financial expenditure or regulated returns are lower than expected) or a regulatory receivable in the opposite case.

This regulatory debt or receivable is taken into account in accordance with the tariff methodology to set the tariffs for the following regulatory periods. In the event of an accumulated positive balance at the end of the regulatory period, CREG can also decide to use part of it to finance investments. In 2018, €11.1 million was used to finance investments (€12.5 million in 2017).

Code of conduct

The code of conduct determines the terms for accessing the natural gas infrastructure. These terms constitute all the operational and commercial rules that form the framework within which Fluxys Belgium and Fluxys LNG enter into contracts with users of the transmission, storage and LNG infrastructure.

An initial code of conduct was established by Royal Decree of 4 April 2003. From 2006 onwards, several market consultations were organised by CREG on the evolution of this code. On 15 January 2011, the Royal Decree of 23 December 2010 on a new code of conduct came into effect.

That code of conduct states that operators (for transmission, storage and LNG terminalling) must draw up a range of documents which are subject to CREG's approval: the Access Code for Transmission, the Transmission Programme, the Standard Transmission Agreement and the Standard Connection Agreement. When drawing up these documents, the network users concerned are consulted to ensure that the services offered are as closely as possible in line with market needs. Only after this consultation can the documents be submitted to CREG for approval.

Compliance officer

The code of conduct states that the network operator must appoint a compliance officer as part of the commitments that the network operator undertakes regarding non-discriminatory access to the network. Fluxys Belgium has appointed a compliance officer. In 2011, the compliance officer set up a compliance programme with the specific details of the rules of conduct that members of staff must comply with regarding non-discrimination, transparency and handling of confidential information. The Board of Directors and Executive Board of Fluxys Belgium approved the compliance programme.

Every year, a compliance report is prepared for both Fluxys Belgium and Fluxys LNG and the results are published on the website:
https://www.fluxys.com/en/company/fluxys-belgium/management-governance

8. CORPORATE GOVERNANCE DECLARATION

Fluxys Belgium has adopted the Belgian Corporate Governance Code 2009 (Code 2009) as its benchmark code of conduct. Fluxys Belgium is also subject to legislation on corporate governance contained in the Act of 12 April 1965 on the transmission of gaseous and other products via pipeline, as subsequently amended (Gas Act), and European Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (Directive). Details of the legislation applied by Fluxys Belgium can be found online:

- Code 2009: www.corporategovernancecommittee.be
- Gas Act: www.just.fgov.be
- Directive: eur-lex.europa.eu

Fluxys Belgium does not apply the Code 2009 rules on the term of directorships. Members of the Board of Directors are appointed for a period of six years rather than the four years advocated by Article 4.6 of the Code 2009. However, this term is justified in light of the technical, financial and legal particularity and complexity of the tasks and responsibilities entrusted to the natural gas system operator.

Changes in the composition of the Board of Directors in 2018

At the Ordinary General Meeting (OGM) held on 8 May 2018, Claude Grégoire's directorship was renewed for a period of six years until the 2024 OGM, and Christian Viaene's directorship was renewed for a period of one year until the 2019 OGM. Nele Roobrouck's directorship was renewed until 3 October 2018.

In addition, the General Meeting of 8 May 2018, acting on a proposal by the Board of Directors and after consultation of the Appointment and Remuneration Committee, decided to appoint Geert Versnick as a director with effect from 3 October 2018, replacing Nele Roobrouck. His directorship will expire following the 2024 OGM.

Finally, the General Meeting of 8 May 2018, acting on a proposal by the Board of Directors and after consultation of the Appointment and Remuneration Committee and the Corporate Governance Committee, decided to appoint Anne Leclercq as an independent director for a term of six years, ending after the 2024 OGM.

After consultation of the Appointment and Remuneration Committee and the Corporate Governance Committee, the Board of Directors on 26 September 2018 co-opted Sabine Colson as an independent director with effect from 1 October 2018, for a term of six years, ending after the 2024 OGM. A decision on her permanent appointment will be made at the next General Meeting.

The procedure for renewing directorships and new appointments by the Appointment and Remuneration Committee and the Corporate Governance Committee was complied with.

Rules governing the appointment and replacement of members of the Board of Directors and amendments to the Articles of Association

Appointment and replacement of directors. The directors are appointed by the General Meeting for no more than six years and can be dismissed by the General Meeting.

Articles 11 and 12 of the Articles of Association stipulate that the company shall be managed by a Board of Directors comprising non-executive directors appointed for a maximum term of six years and who may be dismissed by the General Meeting. The directorships of resigning directors who have not been re-elected shall terminate immediately after the Ordinary General Meeting. In the event that one or more directorships remain vacant, the remaining directors may, by a simple majority of votes, temporarily fill the vacancy. In such cases, the General Meeting shall make the permanent appointment or appointments at its first meeting thereafter. Where a directorship becomes vacant prior to routine expiry of a directorship, the replacement director appointed shall serve out the remaining period in question.

Amendments to the Articles of Association. The company's Articles of Association may be amended by the General Meeting; any amendments made must be published in the Belgian Official Gazette. Deliberation and decisions regarding amendments to the Articles of Association are only valid if at least half of the group's share capital is represented at the General Meeting. No amendment shall be permitted unless it is passed by three-quarters of the votes.

Board of Directors

Composition of the Board of Directors

Article 11 of the company's Articles of Association stipulates that the Board of Directors shall comprise no fewer than 3 and no more than 24 non-executive directors, excluding one or more federal government representatives.

In order to comply with the provisions of the Gas Act, at least one third of directors must be independent within the meaning of the Gas Act. They are chosen partly on the basis of their financial management skills and partly for their useful technical knowledge and in particular their relevant knowledge of the energy sector. One third of directors must be of a different gender to the other two thirds.

At least half of the directors must be fluent in French and half in Dutch.

In addition, the golden share grants the federal Energy Minister the right to appoint two representatives of the federal government to the Board of Directors.

Directors of the company may not simultaneously be members of the supervisory board, board of directors or bodies legally representing the undertaking, of an undertaking active in the production or supply of natural gas and may not exercise any rights over such an undertaking.

Directors

Daniël Termont, Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
Daniël Termont is the Chairman of Publigas. He was appointed director in May 1998 following nomination by Publigas and his current term of office will expire at the Ordinary General Meeting in May 2021.

Claude Grégoire, Director, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee
Claude Grégoire is a civil engineer and CEO of Socofe. He was appointed director in October 1994 following nomination by Publigas. His current term of office will expire at the Ordinary General Meeting in May 2024.

Jos Ansoms, Director
Jos Ansoms holds a degree in political and social sciences from KU Leuven. He has been Chairman of Intermixt, Iveka and IGEAN and Vice-Chairman of Eandis, among other roles. For 23 years he was a member of the lower house of the Belgian federal parliament, the House of Representatives, during which time he for example chaired the Business and Energy Committee. He was appointed director in May 2016 following nomination by Publigas and his current term of office will expire at the Ordinary General Meeting in May 2022.

Patrick Côté, Director
Patrick Côté graduated from HEC Montréal with a business degree, specialising in professional accounting. He holds CPA (Chartered Professional Accountant) and CMA (Certified Management Accountant) certification. From 2008 to 2013, he worked as an investment analyst at CDPQ, where he was involved in many transactions in the infrastructure sector. He has served as Director Asset Management (Infrastructure) in Paris since 2013. Following nomination by CDPQ, Patrick was co-opted as director by the Board of Directors with effect from 1 January 2017 and his current term of office will expire at the Ordinary General Meeting in May 2023.

Andries Gryffroy, Director
Andries Gryffroy is a qualified industrial electromechanical engineer and holds a Master's degree in marketing. He took a number of additional training courses in the energy sector and worked in a range of positions in that sector before founding his own engineering firm specialising in energy projects. He recently sold his company and is now a consultant in technology and energy. He is also a member of the Flemish parliament and a federated entity senator. He was appointed to the Board of Directors in May 2015 following nomination by Publigas, and his term of office will expire at the Ordinary General Meeting in May 2021.

Luc Hujoel, Director
Luc Hujoel holds a Master's degree in economics. He was Director General of Sibelga until 31 October 2018 and as of December 2018 serves as Director General of Interfin and Vice-Chairman of Publigas. He was appointed director in May 2009 following nomination by Publigas and his current term of office will expire at the Ordinary General Meeting in May 2021.

Ludo Kelchtermans, Director, Chairman of the Audit Committee
Ludo Kelchtermans has a degree in economics and is CEO of Nutsbedrijven Houdstermaatschappij (NUHMA). He is a director of several companies and chairman of Aspiravi's audit committee. He was appointed director in June 2012 following nomination by Publigas. His current term of office will expire at the Ordinary General Meeting in May 2020.

Renaud Moens, Director
Renaud Moens has a degree in business from ULB's Solvay Business School. He is General Manager of IGRETEC and a director at Sambrinvest. He was co-opted as director by the Board of Directors on 24 September 2014 following nomination by Publigas and his current term of office will expire at the Ordinary General Meeting in May 2022.

Josly Piette, Director
Josly Piette holds degrees in industrial sociology and economic and social policy. He is Honorary General Secretary of the Confédération des Syndicats Chrétiens (Confederation of Christian trade unions) and a director of Socofe and Publigas. He was appointed director in June 2009 following nomination by Publigas. His current term of office will expire at the Ordinary General Meeting in May 2020.

Geert Versnick, Director (since 3 October 2018)
Geert Versnick has a law degree from Ghent University. He was a lawyer at the Ghent Bar from 1980 until the end of 2000 and active in politics from 1989 to 2017. He holds a number of directorships in both the private and public sector. He was appointed director by the Ordinary General Meeting of May 2018 with effect from 3 October 2018, following nomination by Publigas, and his current term of office will expire at the Ordinary General Meeting in May 2024.

Christian Viaene, Director, Chairman of the Appointment and Remuneration Committee
Christian Viaene is a commercial engineer and holds a degree in applied economics. He is Director General of the Brussels intermunicipal gas and electricity companies and is General Secretary of Publigas. He was appointed director in March 2005 following nomination by Publigas. His current term of office will expire at the Ordinary General Meeting in May 2019.

Luc Zabeau, Director
Luc Zabeau is a commercial engineer and holds a degree in commercial and financial sciences. He joined Sibelga in 2003, where he was director of the Finance Department until late 2018. He is currently the director of Interfin. He was appointed director in June 2009 following nomination by Publigas. His current term of office will expire at the Ordinary General Meeting in May 2023.

Nele Roobrouck, Director (until 3 October 2018)
Nele Roobrouck holds a law degree from KU Leuven and a Master's in Energy and Environmental Law. She is currently Deputy Head of Cabinet (Energy) to Minister of Finance, Budget and Energy Lydia Peeters and expert to Deputy Prime Minister Alexander De Croo. She has also served as a representative of the federal government at Elia since January 2013. She was appointed director in May 2016 following nomination by Publigas and her term of office expired on 3 October 2018.

Independent directors under the provisions of the Gas Act:

Marianne Basecq, Director
Marianne Basecq holds a degree in business administration with additional training in public management. She is a General Advisor for the holding company Socofe NV/SA. She was appointed independent director in May 2007 following nomination by Publigas. Her term of office will expire at the Ordinary General Meeting in May 2019.

Sabine Colson, Director (since 1 October 2018)
Sabine Colson has a degree in business and finance from HEC Liège. She has completed a Guberna Certified Director course and holds a university certificate in innovation management from UCLouvain. She is currently a General Advisor to SRIW Environnement. Following consultation of the relevant advisory committees, she was co-opted as an independent director by the Board of Directors on 26 September 2018, with effect from 1 October 2018. Her permanent appointment will be voted on at the General Meeting on 14 May 2019 and her term of office will expire at the Ordinary General Meeting in May 2024.

Valentine Delwart, Director
Valentine Delwart holds a degree in law and a Master's degree in European law. She is Alderwoman for Finance in Uccle, Brussels, and has been General Secretary of the Mouvement Réformateur, a Belgian political party, since March 2011. She was appointed independent director in May 2013 upon nomination by the Board of Directors and following consultation of the relevant advisory committees. Her term of office will expire at the Ordinary General Meeting in May 2019.

Sandra Wauters, Director
Sandra Wauters holds a PhD in Chemical Engineering from Ghent University. She is currently working as an Energy and Climate Policy Expert at BASF Antwerp, where she is in charge of coordinating energy and climate-related matters. She was appointed independent director in May 2013 upon nomination by the Board of Directors and following consultation of the relevant advisory committees. Her term of office will expire at the Ordinary General Meeting in May 2019.

Hélène Deslauriers, Director
Hélène Deslauriers studied law at the Université de Montréal and then earned an LL.M from University College London. She is a member of the Bar of Quebec and the International Bar Association. She was Vice President at Bombardier Transportation for 13 years. She was appointed independent director in May 2011 following nomination by the Board of Directors and consultation of the relevant advisory committees. Her term of office will expire at the Ordinary General Meeting in May 2023.

Monique Lievens, Chairman of the Corporate Governance Committee
Monique Lievens holds a degree in economics and specialises in business economics. She is Human Resources Advisor at the National Bank of Belgium and was appointed as an independent director in May 2007 following nomination by Publigas. Her current term of office will expire at the Ordinary General Meeting in May 2019.

Anne Leclercq, Director (since 8 May 2018)
Anne Leclercq holds a Master's degree in law and an MBA from Vlerick Business School. Many years working in the banking sector have provided her with a wealth of financial expertise and management experience. She is currently the Director of Treasury and Capital Markets at the Belgian Debt Agency and is also a member of the KU Leuven Board of Governors and of the Warehouses De Pauw (WDP) Board of Directors. Anne has chaired a sub-committee of the European Union's Economic and Financial Committee comprising debt managers from the various EU Member States since 2013. She was appointed independent director in May 2018 following nomination by the Board of Directors and following consultation of the relevant advisory committees. Her current term of office will expire at the Ordinary General Meeting in May 2024.

Walter Nonneman, Director

Walter Nonneman is Professor Emeritus of Economics at the University of Antwerp. He has held management and board positions in the private, non-profit and public sectors. He is currently a director of a number of financial institutions. He holds a PhD in applied economics from UFSIA and also studied at the Harvard Graduate School of Business Administration. Walter Nonneman was appointed independent director in May 2009 following nomination by the Appointment and Remuneration Committee and his current term of office will expire at the Ordinary General Meeting in May 2021.

Henriette Van Caenegem, Director (until 8 May 2018)

Henriette Van Caenegem holds a degree in law. She works as an independent legal advisor and project manager for acquisition and divestment projects, among other roles. She was appointed independent director in May 2006 and her term of office expired at the Ordinary General Meeting in May 2018.

Federal government representatives

François Fontaine
François Fontaine holds degrees in law and tax law. He is a General Advisor with the Federal Holding and Investment Company (SFPI-FPIM). He was appointed francophone federal government representative by the Minister of Energy on 4 February 2009 with the specific responsibilities detailed in the laws of 26 June 2002 and 29 April 1999 and in the Royal Decrees of 16 June 1994 and 5 December 2000, as set out in Article 21 of the Articles of Association and in the Corporate Governance Charter. François Fontaine's term of office as federal government representative on the Board of Directors of Fluxys Belgium was renewed by the Royal Decree of 14 December 2012, which entered into force on 14 January 2013.

The federal government representative attends meetings of the Board of Directors and the Strategy Committee in an advisory capacity.

Presence of the Chairman of the Executive Board

As Chairman of the Executive Board, Pascal De Buck was, in 2018, routinely invited to attend meetings of the Board of Directors and the advisory committees in an advisory capacity.

Secretariat

Nicolas Daubies, Company Secretary and General Counsel, acts as secretary to the Board of Directors.

Activity report

Issues examined

The members of the Board seek to adopt decisions by consensus. The Board mainly addressed the following issues:

- The strategy of Fluxys Belgium
- The 2018 budget
- The 10-year investment programme (2018-2027)
- The Medium-Term Plan
- The HSEQ policy
- Risk management
- The preparation of the company's annual and half-yearly accounts and those of its subsidiaries, as well as associated press releases
- The drafting of the annual financial report for the 2017 financial year and the half-yearly financial report as at 30 June 2018
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - Market integration projects
  - Evolution of transmission services
  - Kraainem-Haren/Overijse-Jezus-Eik pipeline projects
  - Oosterweel project and its impact on Fluxys facilities
  - Biogas projects
  - L-gas to H-gas conversion
  - Construction of the fifth storage tank for LNG in Zeebrugge
  - Winter analysis
  - Planning of potential new gas-fired power plant in the context of security of energy supply

- Changes in the legal and regulatory framework, including:
  - Tariffs, developments in tariff discussions and tariff preparations for 2020-2023
  - Keeping abreast of developments in disputes and legal action brought in order to safeguard the company's interests
  - The energy mix and the inter-federal energy pact
  - The role of natural gas in Belgium's future energy system and in the energy transition
  - Election memorandum
- Commercial activities and network operation
- Convening the Ordinary General Meeting
- Changes in the composition of the Board of Directors and the advisory committees
- Examination of reports by the Strategy Committee, the Audit Committee, the Appointment and Remuneration Committee and the Corporate Governance Committee
- Examination of the report of the Board of Directors of Fluxys LNG
- The procedure for evaluating the Board of Directors and the committees

Operation

The Board of Directors may only deliberate and adopt decisions when at least half of the directors are either present or represented. Decisions made by the Board of Directors are taken by a simple majority of votes cast by directors present or represented. In 2018, the Board of Directors took all of its decisions by unanimous vote of the directors present or represented.

Frequency of meetings and attendance levels

The Board of Directors met six times in 2018. Director attendance at Board of Directors meetings in 2018 was as follows:

	Attendance
Daniël Termont	5 out of 6 meetings
Claude Grégoire	5 out of 6 meetings
Jos Ansoms	6 out of 6 meetings
Marianne Basecq	5 out of 6 meetings
Sabine Colson	1 out of 1 meeting
Patrick Côté	6 out of 6 meetings
Valentine Delwart	6 out of 6 meetings
Hélène Deslauriers	3 out of 6 meetings
Andries Gryffroy	2 out of 6 meetings
Luc Hujoel	4 out of 6 meetings
Ludo Kelchtermans	5 out of 6 meetings
Anne Leclercq	1 out of 3 meetings
Monique Lievens	6 out of 6 meetings
Renaud Moens	6 out of 6 meetings
Walter Nonneman	6 out of 6 meetings
Josly Piette	6 out of 6 meetings
Nele Roobrouck	4 out of 5 meetings
Henriette Van Caenegem	3 out of 3 meetings
Geert Versnick	1 out of 1 meeting
Christian Viaene	6 out of 6 meetings
Sandra Wauters	6 out of 6 meetings
Luc Zabeau	5 out of 6 meetings

Committees formed by the Board of Directors

Strategy Committee

Composition of the Strategy Committee

The Strategy Committee comprises nine non-executive directors, of whom at least one third must be independent under the provisions of the Gas Act.

Chairman
Claude Grégoire

Vice-Chairman
Daniël Termont, Chairman of the Board of Directors

Members
Jos Ansoms
Patrick Côté
Valentine Delwart*
Luc Hujoel
Walter Nonneman*
Christian Viaene
Sandra Wauters*
** Independent directors under the provisions of the Gas Act.*

Federal government representative acting in an advisory capacity
François Fontaine

Invited in an advisory capacity
As Chairman of the Executive Board, Pascal De Buck was, in 2018, routinely invited to attend meetings of the Strategy Committee.
Andries Gryffroy, Director

Secretariat

Nicolas Daubies, Company Secretary and General Counsel, acts as secretary to the Strategy Committee.

Issues examined

The Strategy Committee was set up within the Board of Directors in accordance with Article 17.3 of the Articles of Association. It has no decision-making powers but is responsible for preparing decisions to be submitted to the Board of Directors for approval in accordance with the applicable legal, regulatory and statutory provisions. Within this framework, the Strategy Committee also monitors implementation of the Board's decisions. The members of the Strategy Committee seek to adopt decisions by consensus. In 2018, the Strategy Committee addressed the following issues, among others:

- The strategy of Fluxys Belgium, including European developments
- The 10-year investment programme (2018-2027)
- The Medium-Term Plan
- The HSEQ policy
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - Market integration projects
  - Evolution of transmission services
  - The main infrastructure projects
  - Kraainem-Haren/Overijse-Jezus-Eik pipeline projects
  - L-gas to H-gas conversion
  - Construction of the fifth storage tank for LNG in Zeebrugge
  - Winter analysis
  - Planning of potential new gas-fired power plant in the context of security of energy supply

- Changes in the legal and regulatory framework, including:
  - Tariffs, developments in tariff discussions and tariff preparations for 2020-2023
  - Keeping abreast of developments in disputes and legal action brought in order to safeguard the company's interests
  - The energy mix and the inter-federal energy pact
  - The role of natural gas in Belgium's future energy system and in the energy transition
  - Election memorandum
- Commercial activities and network operation
- Information relating to operation and safety

Operation

Decisions made by the Strategy Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2018, the Strategy Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Strategy Committee functions, please consult Annex IV of the Corporate Governance Charter – Strategy Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Strategy Committee met 10 times in 2018. Director attendance at Strategy Committee meetings in 2018 was as follows:

	Attendance
Claude Grégoire	10 out of 10 meetings
Daniël Termont	8 out of 10 meetings
Jos Ansoms	10 out of 10 meetings
Patrick Côté	10 out of 10 meetings
Valentine Delwart	8 out of 10 meetings
Andries Gryffroy	7 out of 10 meetings
Luc Hujoel	10 out of 10 meetings
Walter Nonneman	10 out of 10 meetings
Christian Viaene	10 out of 10 meetings
Sandra Wauters	7 out of 10 meetings

Audit Committee

Composition of the Audit Committee

The Audit Committee comprises seven non-executive directors, the majority of whom must be independent. The Audit Committee has collective expertise in the company's area of activity and at least one independent director has the required expertise in accounting and auditing.

Chairman
Ludo Kelchtermans

Members
Marianne Basecq*
Sabine Colson* (since 1 October 2018)
Patrick Côté
Anne Leclercq* (since 8 May 2018)
Renaud Moens
Henriette Van Caenegem* (until 8 May 2018)
Sandra Wauters*
** Independent directors under the provisions of the Gas Act.*

Accounting and auditing expertise of the independent directors on the Audit Committee[1]

Marianne Basecq

- Graduate in business administration (commerce and management) from the University of Liège (ULG), specialising in finance; she subsequently undertook additional training in the consolidation of corporate accounts.
- She is a member of various audit committees and appointment and remuneration committees.
- She is a director of various companies in the environmental and renewable energies sector.

Sabine Colson

- Holds a degree in business and finance from HEC Liège and has worked as an audit manager at PWC.
- She has experience of audit committees and appointment and remuneration committees.
- She is a director of various companies, primarily in the environmental and renewable energies sector.

Anne Leclercq

- Holds a Master's degree in law and an MBA from Vlerick Business School.
- Many years working in the financial sector have provided her with a wealth of financial expertise and management experience.
- She has extensive market knowledge and insight into the key drivers of change in financial markets, such as changes in regulations and economic factors.
- She is currently the Director of Treasury and Capital Markets at the Belgian Debt Agency.

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[1] Pursuant to Article 96 of the Belgian Company Code, the annual report must detail the independence and accounting and auditing expertise of at least one member of the Audit Committee.

Sandra Wauters

- She has a PhD in Chemical Engineering.
- In her operations role at BASF Antwerp, she has acquired experience in HAZOP studies and technical risk assessments.

Secretariat

Nicolas Daubies, Company Secretary and General Counsel, acts as secretary to the Audit Committee.

Issues examined

The Audit Committee was set up within the Board of Directors to assist the latter. It has the powers assigned to an audit committee by law as well as any other powers that may be assigned to it by the Board of Directors. The members of the Audit Committee seek to adopt decisions by consensus. In 2018, the Committee mainly addressed the following issues:

- The company's accounts as at 31 December 2017 and 30 June 2018 as well as associated press releases (financial part)
- The annual financial report for the 2017 financial year and the half-yearly report as at 30 June 2018
- The principles governing the closing of accounts
- Examination of the auditor's work
- Examining the internal control and risk management system
- Goals, timetable and activities of the internal audit in 2018
- The internal audit schedule for 2019
- Following up on the recommendations made in the wake of the internal audit in 2017
- The General Data Protection Regulation
- Presentation of the 2018 data sheets of Fluxys Belgium's subsidiaries
- Risk management
- Selection procedure for the auditor to carry out the Quality Assessment Review of the internal audit
- Deloitte audit approach: fundamentals

Operation

Decisions by the Audit Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2018, the Audit Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Audit Committee functions, please consult Annex II of the Corporate Governance Charter – Audit Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Audit Committee met five times in 2018. Director attendance at Audit Committee meetings in 2018 was as follows:

	Attendance
Ludo Kelchtermans	5 out of 5 meetings
Marianne Basecq	5 out of 5 meetings
Patrick Côté	5 out of 5 meetings
Anne Leclercq	1 out of 4 meetings
Renaud Moens	5 out of 5 meetings
Henriette Van Caenegem	1 out of 1 meeting
Sandra Wauters	5 out of 5 meetings

Appointment and Remuneration Committee

Composition of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee comprises seven non-executive directors, the majority of whom must be independent. The committee has the required expertise in remuneration policy.

Chairman
Christian Viaene

Members
Marianne Basecq*
Valentine Delwart*
Hélène Deslauriers*
Luc Hujoel
Walter Nonneman*
Nele Roobrouck (until 3 October 2018)
Geert Versnick (since 3 October 2018)
** Independent directors under the provisions of the Gas Act.*

Secretariat
Anne Vander Schueren acts as secretary to the Appointment and Remuneration Committee.

Issues examined

The Appointment and Remuneration Committee was set up within the Board of Directors to assist it in all matters concerning the appointment and remuneration of directors and members of management. It has the powers assigned to a remuneration committee by law as well as any other powers that may be assigned to it by the Board of Directors. In 2018, the Appointment and Remuneration Committee mainly addressed the following issues:

- The compilation of the draft remuneration report
- The compilation of the opinion to be returned to the Board of Directors concerning the renewal of the term of office of directors and appointment of (independent) directors
- The preparation of the objectives for the Chairman and members of the Executive Board
- The preparation of the evaluation of the Chairman and members of the Executive Board
- The compilation of recommendations on the remuneration of the Chairman of the Executive Board (fixed and variable remuneration)
- The compilation of recommendations on the remuneration of the other members of the Executive Board (fixed and variable remuneration) based on a proposal by the Chairman of the Executive Board
- The state of progress regarding the company targets for 2018
- The weighting of roles

Operation

Decisions by the Appointment and Remuneration Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. The members of the Appointment and Remuneration Committee seek to adopt decisions by consensus. In 2018, the Appointment and Remuneration Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Appointment and Remuneration Committee functions, please consult Annex III of the Corporate Governance Charter – Appointment and Remuneration Committee Rules of Internal Procedure (https://www.fluxys.com/nl/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Appointment and Remuneration Committee met five times in 2018 and, on one occasion, took a decision with unanimous written agreement of the directors, in accordance with the internal rules of procedure. Director attendance at Committee meetings in 2018 was as follows:

	Attendance
Christian Viaene	5 out of 5 meetings
Marianne Basecq	5 out of 5 meetings
Valentine Delwart	4 out of 5 meetings
Hélène Deslauriers	3 out of 5 meetings
Luc Hujoel	4 out of 5 meetings
Walter Nonneman	4 out of 5 meetings
Nele Roobrouck	4 out of 4 meetings
Geert Versnick	0 out of 1 meeting

Corporate Governance Committee

Composition of the Corporate Governance Committee

The Corporate Governance Committee comprises seven non-executive directors, of whom at least two thirds must be independent under the provisions of the Gas Act.

Chairman
Monique Lievens*

Members
Sabine Colson* (since 1 October 2018)
Valentine Delwart*
Hélène Deslauriers*
Anne Leclercq* (since 8 May 2018)
Josly Piette
Henriette Van Caenegem* (until 8 May 2018)
Luc Zabeau
* Independent directors under the provisions of the Gas Act.

Secretariat
Nicolas Daubies, Company Secretary and General Counsel, acts as secretary to the Corporate Governance Committee.

Issues examined

The Corporate Governance Committee was set up within the Board of Directors in order to carry out the tasks conferred upon it by the Gas Act. The members of the Corporate Governance Committee seek to adopt decisions by consensus. In 2018, the Corporate Governance Committee mainly addressed the following issues:

- Preparation of the 2017 annual report by the Corporate Governance Committee drafted on the basis of Article 8/3 section 5(3) of the Gas Act
- The opinion on the appointment of independent directors

Operation

Decisions by the Corporate Governance Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2018, the Corporate Governance Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Corporate Governance Committee functions, please consult Annex I of the Corporate Governance Charter – Corporate Governance Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Corporate Governance Committee met three times in 2018 and, on one occasion, took a decision with unanimous written agreement of the directors, in accordance with the internal rules of procedure. Director attendance at Corporate Governance Committee meetings in 2018 was as follows:

	Attendance
Monique Lievens	3 out of 3 meetings
Valentine Delwart	2 out of 3 meetings
Hélène Deslauriers	2 out of 3 meetings
Anne Leclercq	0 out of 0 meetings
Josly Piette	2 out of 3 meetings
Henriette Van Caenegem	2 out of 3 meetings
Luc Zabeau	3 out of 3 meetings

Evaluation of the Board of Directors and the advisory committees

The Corporate Governance Charter stipulates, inter alia, that the Board of Directors, under the leadership of its Chairman, must:

- regularly, and at least once every three years, examine and assess its own efficiency and that of the company's management structure and of its committees (size, composition), in particular the role and tasks of the various committees of the Board of Directors;
- examine annually how it interacts with the Executive Board, in the absence of the Chairman of the Executive Board;
- regularly examine and assess the contribution made by each director, so as to be able to adjust the composition of the Board of Directors to changing circumstances and within the framework of the reappointment process.

In 2018, the Board of Directors examined how it interacted with the Executive Board based on a questionnaire completed by each member individually. The questionnaire covered the following subjects:

- Assessment of interaction between non-executive directors and management (flow of information, supervision, distribution of roles, policy, etc.)
- The manner in which the Board of Directors monitors the Executive Board as regards its working methods and efficiency
- The manner in which the appointment of members of the Executive Board and their contractual relations with the company are discussed
- The criteria laid down for evaluation of the Executive Board and self-evaluation

The responses to the questionnaire were analysed and the conclusion was drawn that, overall, the members of the Board of Directors were satisfied to very satisfied with the interaction between the Board of Directors and the Executive Board.

Company management in 2018

The Executive Board of Fluxys Belgium comprises no more than six members, including one chairman.

- Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
- Arno Büx, member of the Executive Board and Chief Commercial Officer
- Paul Tummers, member of the Executive Board and Chief Financial Officer
- Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

Nicolas Daubies, Company Secretary and General Counsel, acts as secretary to the Executive Board.

The Executive Board is responsible for the operational and day-to-day management of the company, including managing commercial, technical, financial, regulatory and HR aspects. The Committee meets as often as it deems necessary and in any case weekly, unless hindered in some way. The Chairman convenes the members and any guests and sets the agenda. In 2018 – in addition to the matters submitted to the Board of Directors (see page 160) – the Executive Board focused on the following issues:

- **Strategy**: 2018-2020 objectives and balanced score cards, 2019-2028 indicative investment programme, the place of natural gas in the energy mix
- **Commercial activities**: Monitoring changes in traded volumes and liquidity on gas trading places, monitoring changes in capacity sales, market volatility during the cold spell in February, analysing the competitiveness of services, long-term vision for gas storage, purchasing gas to balance the network, new connections for or disconnection of industrial consumers, upgrading of infrastructure for distribution system operators, injection of biomethane
- **Finance**: Annual and half-yearly financial results, efficient cost management, audit policy, monitoring subsidy applications, drafting and monitoring of the budget, studying the impact of tax reform in Belgium
- **Legal and regulatory framework**: Monitoring and implementation of the European Network Codes, tariff methodology, tariff comparison, monitoring of amendments to the Gas Act

- **Infrastructure and operations**: Monitoring infrastructure works, network safety, analysing incidents, near-incidents and occupational accidents, investment projects, orders up to €20 million, obtaining the necessary permits for investment projects or operating activities, status of the decommissioning of pipelines, transfer of the ownership of land or subsurfaces, programme to address the issue of pipelines laid at insufficient depth, activities to enhance cyber security in 2018-2020
- **HR policy**: Competency management, social team building, personnel movements, efficiency, tracking progress made with regard to the company's objectives
- **Monitoring the activities of subsidiaries**
- **Preparing dossiers for the Board of Directors and various committees**

Remuneration report

Board of Directors: Procedures, principles and remuneration

Remuneration policy

The remuneration policy applicable to Fluxys Belgium directors is devised as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then submits its proposed remuneration policy to the directors. The remuneration policy is then approved by the General Meeting.

Remuneration level

During the previous financial year, Fluxys Belgium set the directors' remuneration at the same level as the previous financial year in line with the principles outlined in the Articles of Association and the Corporate Governance Charter.

The General Meeting has set the total annual remuneration for directors and government representatives at a maximum of €360,000 (subject to indexation) as at 1 July 2007 (or €437,103.86 as at
31 December 2018). The Board of Directors distributes the amount of overall remuneration determined between all directors on the basis of the workload their individual roles require within the company. Directors and government representatives also receive an attendance fee of €250 for each Board and committee meeting.

Within the limits of the maximum amount, the following sums are also awarded:

- An index-linked share of €8,000 (as at 1 January 2006) for members of the Board of Directors and the government representative(s), and an additional share for the Chairman of the Board
- An additional half share for members of special committees (including for the government representative(s) within the Strategy Committee and directors invited to sit on committees in an advisory capacity) and the Chairman of the Strategy Committee

Where directors serve for only part of a given year, their remuneration for that year is determined on a pro rata basis.

Directors receive neither performance-related remuneration, such as bonuses or long-term, share-related incentive schemes, nor benefits in kind or pension-plan benefits.

At the end of the first six-month period, directors are paid an advance on their remuneration and attendance fees. This advance is calculated on the basis of the index-linked basic remuneration and in proportion to the duration of the directorship over the six-month period. A final payment (full settlement) is made in December of the year in question.

Directors' remuneration

For their work on Fluxys Belgium's Board of Directors and its various committees, the directors received the following gross remuneration and attendance fees in 2018:

	Gross total (in €)
Daniël Termont	28,237.35
Claude Grégoire (1)	23,739.88
Jos Ansoms	18,742.41
Marianne Basecq	23,739.88
Sabine Colson (2)	5,538.55
Patrick Côté (3)	25,239.88
Valentine Delwart	29,987.35
Hélène Deslauriers	21,989.88
Andries Gryffroy	17,242.41
Luc Hujoel (4)	24,489.88
Ludo Kelchtermans (5)	17,492.41
Anne Leclercq	13,479.73
Monique Lievens	16,992.41
Renaud Moens (6)	17,742.41
Walter Nonneman	24,989.88
Josly Piette (1)	16,992.41
Nele Roobrouck	13,295.65
Henriette Van Caenegem	8,510.15
Geert Versnick	3,946.76
Christian Viaene (7)	25,239.88
Sandra Wauters	24,489.88
Luc Zabeau (4)	16,992.41
François Fontaine	17,992.41
Total	437,103.86

At their request, notification is hereby given that some directors have retroceded their remuneration and attendance fees:

(1) These directors retroceded their remuneration and attendance fees to SOCOFE.
(2) This director retroceded their remuneration and attendance fees to SRIW Environnement.
(3) This director retroceded their remuneration and attendance fees to Caisse de dépôt et placement du Québec.
(4) These directors retroceded their remuneration and attendance fees to Interfin.
(5) This director retroceded their remuneration and attendance fees to NUHMA.
(6) This director retroceded their remuneration and attendance fees to Igretec.
(7) This director retroceded their remuneration and attendance fees to Sibelgas.

The representative of the federal government, who attends meetings of the Board of Directors and Strategy Committee in an advisory capacity, is François Fontaine, whose term of office was renewed by the Royal Decree of 14 December 2012, which entered into force on 14 January 2013.[2]

The members of Fluxys Belgium's Board of Directors held no paid directorships in other Fluxys group companies.

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[2] Royal Decree appointing federal government auditors to the Boards of Directors of the relevant operators, as provided for in Article 8/3(1/3) of the Act of 12 April 1965 concerning the transmission of gaseous and other products by pipeline.

Executive Board: Procedures, principles and remuneration

Remuneration policy

The remuneration policy applicable to the members of Fluxys Belgium's Executive Board is devised as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then uses these as a basis for approving the Executive Board's remuneration policy. The Appointment and Remuneration Committee developed a remuneration policy based on external benchmarking via the internationally recognised HAY methodology and submitted it to the Board of Directors. The remuneration policy seeks to establish a fixed basic salary that is proportionate to the level of responsibility and commensurate with a benchmark salary in the general marketplace, and a variable remuneration that rewards personal and company performance.

The members of the Executive Board work for both Fluxys Belgium and its parent company Fluxys. As such, a share of their basic salary and variable remuneration is paid in respect of their activities at Fluxys Belgium, while another share is paid in respect of their activities at Fluxys.

Remuneration level

Basic salary. The change in the basic salary is linked to the position of each member of the Executive Board with respect to a benchmark salary in the general marketplace and the assessment of their individual performance. The HAY methodology (external benchmark) is used to weight each director position and attribute remuneration in line with the going market rate.

Performance-related remuneration. The level of performance-related remuneration received is based on the extent to which company and individual objectives have been achieved. Each year, the company objectives for the coming years are detailed in a *Management Balanced Score Card* compiled on the basis of a long-term strategy. The *Management Score Card* is used to produce individual *Balanced Score Cards* for each member of the Executive Board. The *individual Score Cards* are based on collective objectives, personal objectives such as implementation of the investment plan, safety performance and financial performance (some cross-company, some individual), as well as objectives focusing on company values. The *Score Cards* are used to determine the extent to which each member of the Executive Board has achieved their individual objectives each year.

As regards the variable remuneration for 2018, Fluxys Belgium is covered by the legal derogation from the requirement to spread payment over multiple years, because the on-target variable remuneration of Executive Board members is not more than 25% of the total annual remuneration.

Remuneration of Executive Board members

Setting of remuneration. Chairman of the Executive Board and CEO of Fluxys Belgium Pascal De Buck was evaluated for the year in question by the Board of Directors, after consultation of the Appointment and Remuneration Committee, based on the extent to which the stipulated objectives were achieved. The Appointment and Remuneration Committee was also given an explanation by Pascal De Buck, Chairman of the Executive

Board and CEO of Fluxys Belgium, regarding the evaluation of the other members of the Executive Board in 2018.

The Board of Directors met to decide on the remuneration for the chairman and members of the company's Executive Board. The Board of Directors:

- approved the performance and achievements at Fluxys Belgium for 2018;
- determined the amount of the 2018 variable remuneration for Pascal De Buck as Chairman of the Executive Board and CEO of Fluxys Belgium in 2018, as proposed by the Appointment and Remuneration Committee, and determined the total amount of the 2018 variable remuneration of the other members of the Fluxys Belgium Executive Board, as proposed by Pascal De Buck.

The remuneration granted to members of the Executive Board comprises:

- a basic salary;
- performance-related remuneration depending on the degree to which the objectives set each year have been achieved (company and individual objectives);
- a defined-contribution pension plan administered in accordance with the rules applicable to companies in the gas and electricity sector;
- other components: expenses to cover insurance and benefits in kind, including gas and electricity sector benefits.

Executive Board members receive neither shares nor share options in the company as part of their basic salary or performance-related pay.

The variable remuneration for the chairman of the Executive Board is paid partly in cash, with another part being paid into the group insurance scheme. For the other members of the Executive Board, the variable remuneration is paid entirely in cash.

The weighting of the roles of Executive Committee members has been reviewed in order to take account of the changes arising since the roles were last weighted. Salaries were repositioned.

Remuneration awarded to members of the Executive Board in 2018:

Remuneration awarded to Pascal De Buck in his capacity as Chairman of the Executive Board and CEO:	
Basic salary	233,885
Variable remuneration	142,670
Pension	78,694
Other components	15,689
Total	470,938

Remuneration awarded to the other members of the Executive Board:	
Basic salary	490,642
Variable remuneration	184,903
Pension	180,041
Other components	59,448
Total	915,034

Under the multi-employer contract, the members in question are remunerated partly for services rendered at Fluxys Belgium and partly for services rendered at Fluxys NV/SA.

Contractual provisions. All members of the Executive Board in 2018 have employee status. Fluxys Belgium applies the relevant legal provisions to their employment contracts. The members of the Executive Board are not paid for their terms of office, or retrocede any remuneration to Fluxys Belgium or Fluxys, or in other companies within the Fluxys Belgium or Fluxys scope of consolidation.

If it transpires that a deliberate error has resulted in inaccurate financial data being used as the basis for the variable remuneration, Fluxys Belgium or Fluxys will take the error into account in the evaluation process of the individual concerned in the year in which the error is detected.

Remuneration policy for the next two financial years

There are no plans to change the remuneration policy for the directors and members of the Executive Board for the next two financial years.

Voting rights and special powers

The shareholders' meeting represents all shareholders irrespective of their share class. It has extensive powers to perform, execute and ratify the company's business dealings. The valid decisions it makes, based on the required majority, shall be binding on all shareholders, even those who are not present or who do not agree with said decisions.

Each share entitles the holder to one vote. In compliance with the Royal Decree of 16 June 1994, and with the Articles of Association within which these statutory provisions are incorporated, special rights shall be attributed to the golden share held by the Belgian State in Fluxys Belgium in addition to the ordinary rights attached to all other shares. Said special rights are exercised by the federal Energy Minister and, in brief, comprise the following:

- The right to oppose any transfer, assignment as a guarantee, or change in the purpose of Fluxys Belgium's strategic assets (a list of which is attached to the aforementioned Royal Decree dated 16 June 1994) if the federal Energy Minister considers that such an operation would adversely affect national interests in the field of energy.
- The right to appoint two representatives of the federal government in an advisory capacity to Fluxys Belgium's Board of Directors and Strategy Committee.
- The right of representatives of the federal government to appeal to the federal Energy Minister within four working days, on the basis of objective, non-discriminatory and transparent criteria (as defined in the Royal Decree of 5 December 2000), against any decision of Fluxys Belgium's Board of Directors or advice from the Strategy Committee (including the investment and activity plan and the associated budget) which in their view breaches national energy policy guidelines, including the government's national energy supply objectives. Such an appeal shall be suspensive. If the federal Energy Minister has not annulled the decision concerned within eight working days after this appeal, the decision shall become definitive.

- A special voting right in the event of deadlock at the General Meeting concerning an issue affecting the objectives of federal energy policy.

The special rights attached to the golden share held by the Belgian State are listed under Articles 11, 15, 17 and 21 of Fluxys Belgium's Articles of Association. These rights remain attached to the golden share for as long as it is held by the Belgian State and Articles 3 to 5 of the Royal Decree of 16 June 1994 granting the State a golden share in Fluxys Belgium or substituting provisions remain in force.

In addition to these statutory special rights, the golden share also confers on its holder the right to receive a share one hundred times greater than that associated with each class-B and class-D share of all dividend payments and all other payments which the company makes to its shareholders.

Limitations on share transfers set by law or the Articles of Association

The following share transfers are free:

- Transfers of shares, subscription rights, ex-rights or independent rights enabling the purchase of shares (hereafter generally referred to as "securities") between a shareholder and companies associated with the shareholder as per the meaning detailed in the Belgian Company Code.
- All transfers of class-D shares.

In all other cases, any shareholder planning to transfer securities to another shareholder or a third party, in any manner whatsoever, shall give all other shareholders, with the exception of those of class-D shares and the golden share, the option of a priority purchase (on a pro rata basis of their shareholding) of the securities relating to the planned transfer, as per the procedures detailed below.

A shareholder planning to transfer shares must inform the company in writing, and requesting acknowledgement of receipt, a) of the number of shares he plans to sell, b) of the name of the prospective assignee(s) deemed to be of good faith and the price irrevocably offered by said assignee, and c) that the shares in question are being offered to shareholders for priority purchase under the same conditions. The Board of Directors shall inform the other shareholders of this offer in the same manner within two weeks. Every shareholder shall then have 60 days as from receipt of the aforesaid written notification to inform the transferring shareholder and the company, in writing and requesting acknowledgement of receipt, whether or not he shall submit a bid and, if so, of the number of shares he wishes to acquire.

If requests exceed the number of shares offered for sale, the Board of Directors shall distribute the shares between the applicants on a pro rata basis of the number of shares held by said applicants and up to the maximum number of shares stated in their request.

In the event that, upon the expiry of the aforementioned period of 60 days, no shareholders have indicated their intention to acquire the shares offered, or where the number of shares requested by the shareholders is less than the number of shares offered, the shareholder who indicated their intention to transfer shares in accordance with the provisions of this article shall be able to complete the planned transfer to the third party indicated in their notification and under the conditions indicated therein.

Transactions and other contractual relations

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them, in particular with respect to conflicts of interest as per Article 523 of the Belgian Company Code.

The group's Corporate Governance Charter lays down a procedure for transactions and other contractual relations between directors or members of the Executive Board and the company or its subsidiaries and which do not fall within the scope of Article 523 of the Belgian Company Code.

This procedure is as follows:

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them. They must organise their private and business affairs in such a way as to avoid as far as possible any situation in which a personal conflict of interests may arise between themselves and the company or its subsidiaries.
In the event of any doubt on the part of a director or member of the Executive Board as to whether such a conflict of interest is present, he or she must notify the Chairman of the Corporate Governance Committee accordingly.

Where a personal conflict of interest is present, the director or member of the Executive Board concerned must, without being asked, withdraw from the Board of Directors' meeting while the matter in question is being discussed and must not take part in the voting, including by proxy, on said matter. Reasons for this abstention must be stated in accordance with the terms of the Company Code.

Where a conflict of interest is deemed to be present, the purpose and conditions of the transaction or other contractual relationship must be communicated for information purposes to the Board of Directors by its Chairman. The Board of Directors is also required to approve said purpose and conditions (or refer them to the Board of Directors of the subsidiary concerned for approval) where the total amount of the individual transaction or accumulated transactions over a three-month period is in excess of €25,000.

The Board of Directors was not required to implement the above procedure during the financial year 2018.

Issue or buy-back of shares

Fluxys Belgium's Articles of Association authorise the General Meeting to acquire the company's own shares in accordance with legal provisions. No such decision was taken at the 2018 General Meeting. However, when the company acquires its own shares with a view to distributing them to its staff, no decision by the General Meeting is required.

In the case of a capital increase, the shares for subscription in cash must be preferentially offered to shareholders, in proportion to the portion of the company's capital their shares represent. However, the General Meeting may, in the interests of the company, limit or eliminate the right of preference in compliance with legal provisions.

Auditor

The Ordinary General Meeting determined the annual remuneration of Deloitte SCRL, Réviseurs d'entreprise. In 2018, Deloitte received remuneration totalling €161,653 for its work as the Fluxys Belgium group's auditor. Deloitte also performed other tasks worth a total of €109,035.
This remuneration is broken down as follows:

- Audit services as auditor for the group: €145,200
- Audit services as auditor for the group's foreign subsidiaries: €16,453
- Other audit services provided by the auditor: €7,500
- Other consulting services provided by associates of the auditor: €101,535

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

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

On the basis of a tendering procedure, the Fluxys Belgium Board of Directors has recommended proposing to the Ordinary General Meeting that Ernst & Young Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL be appointed as statutory auditor for a period of three years, expiring at the end of the Ordinary General Meeting in 2022.

Subsidiaries

The Board of Directors checks on the progress of the activities of the subsidiaries Fluxys Re and Fluxys LNG at least twice a year when it examines their consolidated accounts (annual and half-yearly). The Board of Directors is also informed, as and when appropriate, of major events and important developments involving subsidiaries.

Disclosure of major holdings

The periodic disclosure pursuant to Article 74(8) of the Act of 1 April 2007 was sent on 13 December 2017. As of the date of disclosure, Fluxys held 63,237,240 shares with voting rights in Fluxys Belgium. Publigas held no shares with voting rights in Fluxys Belgium. Publigas confirmed at that time that it had not acquired or transferred any shares with voting rights in Fluxys Belgium. No transfer of shares with voting rights took place in 2018.

9 FINANCIAL SITUATION

Consolidated financial statements under IFRS

General information on the entity

Corporate name and registered office

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

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 carries out complementary services related to these main activities.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act[1].

Please refer to the specific chapters in the directors' report for further information on these activities.

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

Consolidated financial statements of the Fluxys Belgium group under IFRS

A. Consolidated balance sheet

Consolidated balance sheet			In thousands of €
	Notes	**31-12-2018**	**31-12-2017**
I. Non-current assets		**2,321,691**	**2,392,797**
Property, plant and equipment	5.1	2,181,771	2,250,659
Intangible assets	5.2	39,862	45,246
Investments in associates and joint ventures		16	16
Other financial assets	5.3/6	77,525	81,179
Finance lease receivables	5.4/6	3,902	0
Other receivables	6	144	0
Other non-current assets	5.5	18,471	15,697
II. Current assets		**593,211**	**898,076**
Inventories	5.6	29,103	27,856
Finance lease receivables	5.4/6	690	7,222
Current tax receivable		6,280	12
Trade and other receivables	5.7/6	97,217	108,598
Short-term investments	5.8/6	53,279	415,153
Cash and cash equivalents	5.8/6	389,587	320,573
Other current assets	5.9	17,055	18,662
Total assets		**2,914,902**	**3,290,873**

Consolidated balance sheet			In thousands of €
	Notes	**31-12-2018**	**31-12-2017**
I. Equity	**5.10**	**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	5.11/6	1,723,831	1,752,654
Provisions	5.12	4,028	3,947
Provisions for employee benefits	5.13	58,819	59,346
Other non-current financial liabilities	6	1,794	0
Deferred tax liabilities	5.14	188,634	203,830
III. Current liabilities		**250,640**	**557,301**
Interest-bearing liabilities	5.11/6	158,004	467,176
Provisions	5.12	209	325
Provisions for employee benefits	5.13	3,844	3,879
Current tax payables		4,102	6,689
Trade and other payables	5.15/6	79,345	76,957
Other current liabilities		5,136	2,275
Total liabilities and equity		**2,914,902**	**3,290,873**

B. Consolidated income statement

Consolidated income statement			In thousands of €
	Notes	**31-12-2018**	**31-12-2017**
Operating revenue	4.1	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	4.2.1	-4,142	-2,678
Purchase of gas related to balancing of operations and operational needs		-106,240	-66,014
Miscellaneous goods and services	4.2.2	-120,729	-122,996
Employee expenses	4.2.3	-107,852	-107,077
Other operating expenses	4.2.4	-6,202	-6,944
Net depreciation	4.2.5	-155,565	-160,081
Net provisions	4.2.6	-1,816	5,399
Impairment losses	5.6	-400	831
Profit/loss from continuing operations		**120,601**	**129,312**
Change in the fair value of financial instruments		0	-1,058
Financial income	4.3	1,322	2,464
Finance costs	4.4	-42,189	-48,240
Profit/loss from continuing operations after net financial result		**79,734**	**82,478**
Income tax expenses	4.5	-25,265	-12,157
Net profit/loss for the period	**4.6**	**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 €	4.7	0.7752	1.0008
Diluted earnings per share attributable to the parent company's shareholders in €	4.7	0.7752	1.0008

C. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			In thousands of €
	Notes	**31-12-2018**	**31-12-2017**
Net profit/loss for the period	**4.6**	**54,469**	**70,321**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	5.12	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) In 2017, the corporate tax reform in Belgium generates a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes on the liability side of the balance sheet is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement (see Note 2.23), i.e. the revaluation of property, plant and equipment (€37.7 million), the staggered taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.5 million). The balance of this revision is accounted for in the net profit/loss for the 2017 financial year (€16.2 million - see Notes 2.23 and 4.5.2).

D. Consolidated statement of changes in equity

Statement of changes in equity									In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Retained earnings	Reserves for employee benefits (1)	Other comprehensive income (1)	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**	**595,602**	**-7,289**	**0**	**694,352**	**0**	**694,352**
1. Comprehensive income for the period				70,321	-4,619	38,057	103,759	0	103,759
2. Dividends paid			-9,905	-74,411			-84,316		-84,316
3. Other changes							0		0
II. CLOSING BALANCE AS AT 31-12-2017	**60,272**	**38**	**35,824**	**591,512**	**-11,908**	**38,057**	**713,795**	**0**	**713,795**

(1) See comment consolidated statement of comprehensive income

Statement of changes in equity In thousands of €

	Share capital	Share premium	Reserves not available for distribution	Retained earnings	Reserves for employee benefits	Other comprehensive income	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**	**591,512**	**-11,908**	**38,057**	**713,795**	**0**	**713,795**
1. Changes relating to the previous financial year									
Changes in accounting policies affecting shareholders' equity (2)				312			312		312
III. CLOSING BALANCE AS AT 01-01-2018 revised	**60,272**	**38**	**35,824**	**591,824**	**-11,908**	**38,057**	**714,107**	**0**	**714,107**
1. Total comprehensive income for the period				54,469	5,004	0	59,473		59,473
2. Paid dividends			-9,904	-76,520			-86,424		-86,424
3. Other Changes									
IV. CLOSING BALANCE AS AT 31-12-2018	**60,272**	**38**	**25,920**	**569,773**	**-6,904**	**38,057**	**687,156**	**0**	**687.156**

(2) First application of IFRS9 – see note 1d.

E. Consolidated statement of cash flows

Consolidated statement of cash flows	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 from operations	120,601	129,312
1.2. Non cash adjustments	157,956	153,218
1.2.1. Depreciation	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. Interests 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

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 disposal of property, plant and equipment, and intangible assets	1,208	1,652
2.2. Proceeds from 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 issuance of equity investments	0	0
1.2. Proceeds from 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 issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities (1)	105,894	438,115
2. Repayments relating to cash flows from financing	**-434,311**	**-63,959**
2.1. Repurchase of equity investments 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 (1)	-434,311	-63,959
3. Interests	**-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**

(1) 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'.

Notes

Note 1a. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Belgium group have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union. Amounts are stated in thousands of euros.

Note 1b. Judgement and use of estimates

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

Significant estimates made by the group in the preparation of the financial statements relate mainly to the valuation of the recoverable amount of property, plant and equipment, and intangible assets (see Notes 5.1 and 5.2), and the valuation of provisions (see Notes 5.12 and 7), in particular for litigation and for pension and related liabilities (see Note 5.13).

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

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

Therefore, in the balance sheet, the group records the regulatory liabilities corresponding to the excess of regulated revenue received according to the real costs to be covered by the authorised regulated tariffs. This difference is transferred to the income statement via the operating revenue to the balance sheet in the interest-bearing liabilities (non-current and current - See Note 5.11.4). The regulatory assets are accounted for (in the non-current receivables or in the current trade and other receivables in the balance sheet) when the regulated revenue received is lower than the real costs to be covered by the authorised regulated tariffs.

These latter are recognised inasmuch as the group considers their recovery highly likely. This accounting method (see Note 2.20) has been determined by the group as no definitive guidance on 'rate-regulated activities' has been published to date.

Note 1c. Date of authorisation for issue

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

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

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

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

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

a. IFRS 9 Financial instruments

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

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

Classification and valuation of financial assets

Equity investments

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

Financial assets other than equity investments

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

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

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

Expected credit losses

Valuation of expected credit losses on trade receivables

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

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

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

Valuation of expected credit losses on other financial assets

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

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

Calendar of accounting of expected credit losses over lifetime

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

Definition of significant credit risk increases

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

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

Definition of default

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

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

Write-downs

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

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

Hedge accounting

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

The consolidated financial statements are not affected by the changes in hedge accounting as the group did not have any hedging instruments in 2018.

b. IFRS 15: Revenue from contracts with customers

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

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

The contracts entered into with customers by Fluxys Belgium and its subsidiaries allow a relatively easy allocation of the transaction price to the various performance obligations, perfectly in line with the current principles applied. It should be noted that the revenue from regulated activity is recognised based on reserved capacities.

c. Impact on the financial statements

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

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

IFRS 9 transition table **(In thousands of €)**

	Notes	Original classification under IAS39	New classification IFRS 9
Other financial assets	**5.3**		
Shares		Fair value through other comprehensive income	
Investment securities	**5.3.1**	Fair value through profit or loss	
Investment securities	**5.3.1**		Amortised cost
Other financial assets		Amortised cost	Amortised cost
Finance lease receivables	**5.4**	Amortised cost	Amortised cost
Trade and other receivables	**5.7**		
Trade receivables	**5.7.1**	Amortised cost	Amortised cost
Other receivables		Amortised cost	Amortised cost
Short term investments, cash and cash equivalents	**5.8**		
Short term investments		Fair value through profit or loss	
Short term investments			Amortised cost
Short term investments (Fluxys SA)		Amortised cost	Amortised cost
Short term deposits		Amortised cost	Amortised cost
Cash equivalents and cash pooling		Amortised cost	Amortised cost
Bank balances		Amortised cost	Amortised cost
Cash in hand		Amortised cost	Amortised cost

IFRS 9 transition table				(In thousands of €)
Original carrying amount under IAS 39 at 31/12/17 (A)	Reclassification (B)	Remeasurement impact from reclassifications on Retained Earnings (C)	Impact of expected credit losses on Retained Earnings (D)	New carrying amount under IFRS 9 at 01/01/18 = (A) + (B) + (C) + (D)
24	0	0	0	24
81,092	-76,092	0	0	5,000
	76,092	681	-20	76,753
63	0	0	0	63
7,222	0	0	-5	7,217
				0
				0
106,030	0	0	-41	105,989
2,568	0	0	0	2,568
				0
				0
65,153	-65,153	0	0	0
	65,153	-158	-36	64,959
350,000	0	0	0	350,000
205	0	0	0	205
294,849	0	0	0	294,849
25,502	0	0	0	25,502
17	0	0	0	17

The impact on financial assets amounts to €421 thousand. On the other hand, the impact on retained earnings amounts to €312 thousand and the impact on deferred taxes to €109 thousand.

Note 1e. Adoption of new accounting principles

The following standards and interpretations are applicable as of 1 January 2018:
- Amendments to IAS 40 Transfers of Investment Property;
- Amendments to IFRS 2 Classification and measurement of share-based payment;
- Amendments to IFRS 4 Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts;
- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 1, IFRS 12 and IAS 28;
- IFRIC 22 Foreign currency transactions and advance consideration;
- IFRS 9 Financial instruments and consequential amendments;
- IFRS 15 Revenue from contracts with customers.

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

At the date of authorisation of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:
- Amendments to IAS 1 and IAS 8 Amendment to the definition of "material" (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Amendments to IFRS 9 Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (date of entry into force postponed indefinitely as a result of which adoption at European level has also been postponed)
- Amendments to the Conceptual Framework for Financial Reporting in IFRS standards (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)

- Annual improvements to IFRS (2015-2017 round) (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016, but not yet adopted at European level)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 2021 but not yet adopted at European level)

IFRS 16 – Leases

Overall impact

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

Impact of the new definition of 'lease'

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

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

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

Impact on the accounting of lessees

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

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

all leases, except:

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

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

Leases within the scope of IFRS 16

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

- Certain transmission or LNG terminal facilities are built on sites for which the group has long-term concessions (see Note 7.5). The group also has leases for facilities and vehicles with a duration of more than one year (see Note 4.2.2).
- The assets that will be recognised as conveying a right-of-use in the opening balance sheet as at 1 January 2019 and the related lease obligations are, at the present stage, valued as:
    - Sites for which the group has concessions: €32.1 million,
    - Facilities leased for more than one year:€5.0 million and
    - Vehicles leased for more than one year: €4.4 million.

Leased out assets

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

Finance lease receivables include the contract relating to the Interconnector Zeebrugge Terminal (see Note 5.4). 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 contract will not be affected by the first application of IFRS 16.

Note 2. Accounting principles and policies

The accounting principles and policies set out below were approved at the Fluxys Belgium Board of Directors' meeting of 27 March 2019.

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

Note 2.1. General principles

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

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

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

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

The accounting policies have been applied in a consistent manner.

Note 2.2. Balance sheet date

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

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

Note 2.3. Events after the balance sheet date

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

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

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

Note 2.4. Basis of consolidation

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

Subsidiaries

The Fluxys Belgium group’s consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities it controls and its subsidiaries.

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

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

The parent entity must consolidate the subsidiary as from the date it obtains control over it, and must cease to consolidate when it loses control over it. In this way revenues and charges of a subsidiary acquired or transferred in the course of the financial year are included in the consolidated income statement and in the consolidated statement of comprehensive income as from the date on which the parent entity acquired the control over the subsidiary and up to the date on which it ceased to control the latter.

Joint operations

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

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

Investments in associates and joint ventures

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

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

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

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

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

Note 2.5. Business combinations

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

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

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

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

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

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

Note 2.6. Translation of foreign entities' financial statements

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

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

Note 2.7. Intangible assets

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

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

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

Computer software is depreciated at 20% per annum.

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

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

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

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

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

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

Emission rights for greenhouse gasses

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

The emission of greenhouse gases in the atmosphere is recognised as an operating expense, the counterpart being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts). This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

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

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

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

Note 2.8. Property, plant and equipment

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

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

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

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

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

Capital subsidies and tax reductions for investment

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

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

Depreciation methods

PPE is depreciated over its useful life.

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

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

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

Maximum durations of amortisation are:

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

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

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

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

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

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

Note 2.10. Financial lease receivables

Assets under finance lease are assets for which the group transfers substantially all the risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognised on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question. Lease royalties are apportioned between financial income and a reduction of the lease receivable so as to achieve a constant rate of return on the net investment by the group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the following criteria is adopted: a contract is considered as 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.

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

Note 2.11. Inventories

Valuation

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

Inventories are written down to account for:
- a reduction in net realisable value, or
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

This impairment on inventories is recognised in the income statement in the period in which they arise.

Gas inventory

Gas inventory changes are valued based on the weighted average cost method.

Supplies and consumables

Supplies and consumables are valued based on the weighted average cost method.

Work in progress

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

When the outcome of a contract can reliably be estimated, contract revenue and expenses are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date. Any expected loss is recognised immediately as an expense in the income statement.

Note 2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial amount of time to be ready for their intended use (property, plant and equipment, inventories, investment property, etc.) are added to the costs of the assets concerned until they are ready for use or sale.

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

Note 2.13. Financial instruments

Cash investments

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

The economic model used by the Fluxys Belgium group to manage these financial assets is intended to hold said assets in order to collect contractual cash flows. Sales of financial assets are rare and the group does not expect to execute such sales in the future, except in the event of an increased credit risk for the assets above and beyond the policy advocated by the group. A sale may also be made in light of an unexpected financing need.

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

Derivative instruments

Fluxys Belgium group may use derivative financial instruments to hedge its exposure to exchange and interest rate risks.

Derivative instruments designated as hedging instruments

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

Note 2.14. Cash and cash equivalents

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

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

The economic model used by the Fluxys Belgium group to manage these financial assets is intended to hold said assets in order to collect contractual cash flows. Sales of financial assets are rare and the group does not expect to execute such sales in the future, except in the event of an increased credit risk for the assets above and beyond the policy advocated by the group. A sale may also be made in light of an unexpected financing need.

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

Note 2.15. Trade and other receivables

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

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

Impairment losses are recognised when the book value of these items at balance sheet date exceeds their recoverable amount.

Note 2.16. Provisions

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

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

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

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

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

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

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

Employee benefits

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

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

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

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

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

In case of death before retirement, these plans provide a capital sum for the surviving spouse, as well as allowances for orphans.

Other employee benefits

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

Valuation

These liabilities are valued annually by a qualified actuary.

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

'Defined benefit' pension plans

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

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

Where the assets in a supplementary pension plan include eligible insurance contracts that correspond exactly—in terms of amount and maturity—with all or part of the benefits to be paid in accordance with the plan, the fair value of these insurance contracts is considered to be the present value of the corresponding commitments (subject to any reduction required if the amount to be received by virtue of these insurance contracts are not fully recoverable).

The amount accounted for in respect of post-employment liabilities corresponds to the difference between the current value of future obligations and the fair value of assets in the plan destined to cover them. Where the result of this calculation is a deficit, the commitment is entered in the liability side of the balance sheet. Otherwise, an asset is recognised in line with the excess of the defined benefit pension plan, capped at the current value of any future reimbursement from the plan or any reduction in future contributions to the plan.

The revaluations of obligations in liabilities or surpluses in assets in the balance sheet are made up of:

- actuarial gains or losses on the benefit obligations resulting from adjustments relating to experience and/or changes in actuarial assumptions (including the effect of the variation in the discount rate):
- the return from the plan assets (outside net interest) and the changes arising from the capping of the net accounted asset amount (outside net interest).

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

Defined contribution' pension plans

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

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

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

Note 2.17. Interest bearing liabilities

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

Note 2.18. Trade payables

Trade payables are stated at face value.

When the time value of money is significant, trade payables are discounted.

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

Recognition at the date of the transaction

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

Measurement at balance sheet date

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

This revaluation results in translation adjustments which are grouped by currency and recognised in the income statement.

Note 2.20. Revenue recognition

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

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

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

Group revenues mainly come from standard regulated contracts for which both the services to be provided and the price of the service are clearly identified.

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

Regulated income received by the group may generate a gain or a loss compared with the target rate of return on the capital invested. Gains are reported and recognised as regulatory liabilities (under interest-bearing liabilities, current or non-current), whereas losses are included in operating revenue with corresponding recognition of regulatory assets of regulatory assets (under non-current receivables or under current trade and other receivables).

Note 2.21. Recognition and derecognition of the financial assets and liabilities

Recognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Note 2.22. Expected credit losses and impairments

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

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

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

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

Note 2.23. Income taxes

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

Deferred tax liabilities and assets reflect the future taxable and deductible temporary differences, respectively, between the book base and the tax base of assets and liabilities.

Deferred tax liabilities and assets are measured at the enacted or substantially enacted new income tax rate applicable to the financial year in which the underlying asset is expected to be realised or the underlying liability settled on the balance sheet date.

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

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

Note 3. Acquisitions, disposals and restructuring

Consolidation scope

The consolidation scope and percentage of interests in consolidated entities remained identical to 31 December 2017.

Information on investments

Fully consolidated entities

Name of the subsidiary	Registered office	Entity number	% ownership	Core business	Currency	Balance sheet date
FLUXYS LNG SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	100.00 %	LNG terminalling	EUR	31 December
FLUX RE SA	Rue de Merl 74 L - 2146 Luxembourg	-	100.00 %	Reinsurance entity	EUR	31 December

Equity accounted investees – Joint ventures

Name of the company	Registered office	Entity number	% ownership	Core business	Currency	Balance sheet date
BALANSYS SA	Rue de Bouillon 59-61 L - 1248 Luxembourg	-	50.00 %	Balancing operator	EUR	31 December

Nature and scope of the restrictions related to the assets and liabilities of the group

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

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

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

Balansys SA is a company governed by Luxembourg law in which 50% of shares are held by Fluxys Belgium SA and 50% by Creos Luxembourg SA. The objective of this company is to integrate the Belgian and Luxembourg natural gas markets. As part of this objective, an agreement has been signed between the shareholders that stipulates that Balansys SA shares may not be encumbered with any guarantees nor be transferred, unless for the benefit of another transmission network operator and with the agreement of the other shareholder.

Note 4. Income statement and segment information

Operating segments

Fluxys Belgium group carries 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 of gas in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage of gas 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 group such as participating in the IZT and ZPT[2] terminals in Belgium and work for third parties.

The Fluxys Belgium group operates mainly in Belgium and does not therefore publish information by geographical sector.

[2] Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

Basis of accounting relating to transactions between operating segments

Transactions between operating segments mainly relate to capacity reservations by one segment subject to the Gas Act with another.

They are valued on the basis of the regulated tariffs in force.

Information relating to the main customers

The group's main customers are users of transmission and storage services and of the Zeebrugge LNG Terminal..

Segment income statement at 31-12-2018

In thousands of €

	Transmission	Storage	Terminalling	Other	Elimination between segments	Total
Operating revenue	**367,477**	**33,032**	**101,193**	**21,691**	**-20,147**	**503,246**
Sales and services to external customers	374,474	28,802	109,427	13,113	0	525,816
Transactions with other sectors	856	8,670	2,043	8,578	-20,147	0
Changes in the regulatory assets and liabilities	-7,853	-4,440	-10,277	0	0	-22,570
Sales of gas related to balancing of operations and operational needs	**99,783**	**1,015**	**5,435**	**0**	**0**	**106,233**
Other operating income	2,537	118	842	10,626	-55	14,068
Consumables, merchandise and supplies used	-1,070	-88	-51	-2,933	0	-4,142
Purchase of gas related to balancing of operations and operational needs	-99,783	-1,015	-5,442	0	0	-106,240
Miscellaneous goods and services	-97,765	-6,881	-28,740	-7,490	20,147	-120,729
Employee expenses	-77,574	-7,312	-17,799	-5,222	55	-107,852
Other operating expenses	-3,207	-560	-2,195	-240	0	-6,202
Depreciation and amortisation	-114,553	-10,764	-30,066	-182	0	-155,565
Provisions for risks and charges	-3,137	26	-92	1,387	0	-1,816
Impairment losses	-400	0	0	0	0	-400
Profit/loss from continuing operations	**72,308**	**7,571**	**23,085**	**17,637**	**0**	**120,601**
Financial income	230	26	7	1,059		1,322
Finance costs	-30,680	-3,441	-6,314	-1,754		-42,189
Profit/loss from continuing operations after net financial result	**41,858**	**4,156**	**16,778**	**16,942**	**0**	**79,734**
Income tax expenses						-25,265
Net profit/loss for the period						**54,469**

Segment income statement at 31-12-2017						In thousands of €
	Transmission	**Storage**	**Terminalling**	**Other**	**Elimination between segments**	**Total**
Operating revenue	**379,820**	**33,902**	**96,816**	**18,910**	**-18,920**	**510,528**
Sales and services to external customers	406,326	33,934	103,547	11,298	0	555,105
Transactions with other sectors	840	8,471	1,997	7,612	-18,920	0
Changes in the regulatory assets and liabilities	-27,346	-8,503	-8,728	0	0	-44,577
Sales of gas related to balancing of operations and operational needs	**64,537**	**976**	**583**	**0**	**0**	**66,096**
Other operating income	2,115	147	815	9,171	0	12,248
Consumables, merchandise and supplies used	-946	-19	-41	-1,672	0	-2,678
Purchase of gas related to balancing of operations and operational needs	-64,537	-976	-501	0	0	-66,014
Miscellaneous goods and services	-103,346	-7,243	-24,252	-7,075	18,920	-122,996
Employee expenses	-78,469	-6,978	-17,372	-4,258	0	-107,077
Other operating expenses	-3,911	-586	-2,211	-236	0	-6,944
Depreciation and amortisation	-119,040	-10,986	-29,853	-202	0	-160,081
Provisions for risks and charges	-176	-26	-54	5,655	0	5,399
Impairment losses	831	0	0	0	0	831
Profit/loss from continuing operations	**76,878**	**8,211**	**23,930**	**20,293**	**0**	**129,312**
Changes in the fair value of financial instruments	0	0	0	-1,058	0	-1,058
Financial income	199	22	0	2,243	0	2,464
Finance costs	-35,640	-3,997	-6,440	-2,163	0	-48,240
Profit/loss from continuing operations after net financial result	**41,437**	**4,236**	**17,490**	**19,315**	**0**	**82,478**
Income tax expenses						-12,157
Net profit/loss for the period						**70,321**

Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Transmission in Belgium	4.1.1	366,621	378,980	-12,359
Storage in Belgium	4.1.1	24,362	25,431	-1,069
Terminalling in Belgium	4.1.1	99,150	94,819	4,331
Other operating revenue	4.1.2	13,113	11,298	1,815
Total		**503,246**	**510,528**	**-7,282**

Operating revenue in the 2018 financial year amounted to €503,246 thousand, down €7,282 thousand as compared with the previous financial year.

In accordance with the regulatory framework, the decrease in the regulated revenue is mainly the result of a reduction in operating expenses, interest and taxes which is partly compensated by the increase in the level of authorised return.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act.

Revenue from these services aims to ensure an authorised rate of return on capital invested and to cover the operating expenses relating to these services, all the while integrating productivity efforts to be undertaken by the network operator and permitted depreciation.

4.1.1. Revenue from transmission activities decreased €12,359 thousand as compared with the previous financial year. This decrease reflects the evolution of operating expenses, interests and taxes to be covered by the tariffs, an effect which is attenuated by the increase in the return authorised by the regulation.

Turnover from terminalling services generated an increase in regulated revenue (+€4,331 thousand). This latter reflects the progression in the number of large tanker loadings and transshipment operations. This increase can also be explained by the evolution in operating costs and by the return authorised by the regulation on expansion investments.

4.1.2. These revenues relate mainly to work and services rendered for third parties as well as the provision of facilities.

Note 4.2. Operating expenses

Operating expenses excluding net depreciation, impairment losses and provisions				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Consumables, merchandise and supplies used	4.2.1	-4,142	-2,678	-1,464
Miscellaneous goods and services	4.2.2	-120,729	-122,996	2,267
Employee expenses	4.2.3	-107,852	-107,077	-775
Other operating expenses	4.2.4	-6,202	-6,944	742
Total operating expenses		**-238,925**	**-239,695**	**770**
Of which costs related to lease agreements	4.2.2	-20,487	-21,862	1,375

4.2.1.Consumables, merchandise and supplies used

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

4.2.2.Miscellaneous goods and services

Miscellaneous goods and services are mainly composed of:

	31-12-2018	31-12-2017
Purchase of equipment	-7,156	-6,989
Rent and rental charges (see Note 7.5)	-9,932	-10,706
Maintenance and repair expenses	-20,958	-24,306
Goods and services supplied to the group	-4,720	-4,753
Third-party remuneration	-36,932	-34,330
Royalties and contributions (see Note 7.5)	-26,650	-27,714
Non-personnel related insurance costs	-8,373	-8,439
Other miscellaneous goods and services	-6,008	-5,759
	-120,729	**-122,996**

The 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 make efficiency gains.

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

4.2.3. Employee expenses

Employee expenses are increased by €775 thousand. This can be explained by inflation and by the cost of social programming, the effects of which are partially compensated by the evolution in headcount.

The average headcount for the group went down from 918 in 2017 to 900 in 2018. Expressed in FTE (full-time equivalents), these figures convert to 868.7 in 2018 compared to 886.6 in 2017.

Workforce				
	Financial year		Preceding financial year	
	Total number of staff	Total in FTE	Total number of staff	Total in FTE
Average number of employees	**900**	**868.7**	**918**	**886.6**
Fluxys Belgium	**861**	**831.2**	**878**	**847.3**
Executives	267	260.5	272	265.4
Employees	594	570.7	606	581.9
Fluxys LNG	**38**	**37.0**	**39**	**38.8**
Executives	4	3.9	4	4.2
Employees	34	33.1	35	34.6
Flux Re	**1**	**0.5**	**1**	**0.5**
Headcount at balance sheet date	**894**	**864.4**	**908**	**877.6**
Fluxys Belgium	**854**	**826.1**	**868**	**838.5**
Executives	265	259.2	270	263.5
Employees	589	566.9	598	575.0
Fluxys LNG	**39**	**37.8**	**39**	**38.6**
Executives	4	3.8	4	4.0
Employees	35	34.0	35	34.6
Flux Re	**1**	**0.5**	**1**	**0.5**

4.2.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposals or decommissioning of PPE. The latter represented an expense of €42 thousand in 2018, compared with €517 thousand in 2017.

Net depreciation, impairment losses and provisions				In thousands of €
	Notes	31-12-2018	31-12-2017	Change
Depreciation	**4.2.5**	**-155,565**	**-160,081**	**4,516**
Intangible assets		-9,500	-10,456	956
Property, plant and equipment		-146,065	-149,625	3,560
Provisions for risks and charges	**4.2.6**	**-1,816**	**5,399**	**-7,215**
Impairment losses		**-400**	**831**	**-1,231**
Inventories		-401	831	-1,232
Créances commerciales		1		1
Total net depreciation, impairment losses and provisions		**-157,781**	**-153,851**	**-3,930**

4.2.5. Depreciation

Depreciation charges over the period are decreasing mainly due to facilities coming to the end of their depreciation timescale.

4.2.6. Provisions for risks and charges

The provisions for site restoration registered, in 2017, a use of funds to cover the costs associated with the restoration of a site that is sold. The balance of the provision concerned was then recognised in the profit/loss for the period.

Note 4.3. Financial income

Financial income				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Dividends from unconsolidated companies		0	8	-8
Financial income from lease contracts	4.3.1	169	130	39
Interest income on marketable securities, cash and cash equivalents	4.3.2	995	1,356	-361
Other interest income	4.3.2	72	144	-72
Unwinding of discounts	4.3.3	0	765	-765
Other financial income		86	61	25
Total		**1,322**	**2,464**	**-1,142**

4.3.1. Financial income from lease contracts relates to the Interconnector Zeebrugge Terminal (IZT) installations (see Note 5.4).

4.3.2. Interest on investments and cash equivalents mainly come, in 2018, from investments recognised at amortised cost in accordance with IFRS 9. The fall in revenue from investments and cash results mainly from a fall in interest rates earned. In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018, which had a favourable impact on the average volume invested in this period (see Note 4.4.1).

4.3.3. In 2017, the effects of discounting provisions were recognised in revenue whilst they represented a financial cost in 2018. The rates used to discount liabilities relating to employee benefits explain this change (see Notes 4.4 and 5.12).

Note 4.4. Finance costs

Finance costs				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Borrowing interest costs	4.4.1	-41,587	-48,103	6,516
Unwinding of discounts	4.3.3	-421	53	-474
Other finance costs		-181	-190	9
Total		**-42,189**	**-48,240**	**6,051**

4.4.1. Borrowing interest costs primarily include interest on the loans from the European Investment Bank and Fluxys, bonds, and regulatory liabilities.

For the purpose of refinancing a loan maturing in May 2018, Fluxys Belgium proceeded in October 2017 with a bond issue in two parts:

- one part of €300,000 thousand over 10 years with a coupon value of 1.75% (87 bps over mid-swap) and maturing in October 2027;
- one part of €50,000 thousand over 15 years with a coupon value of 2.375% (105 bps over mid-swap) and maturing in October 2032.

This early refinancing generated a temporary increase in interest charges on debts, an effect compensated by the favourable conditions for new loans.

Note 4.5. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses	Notes	31-12-2018	31-12-2017	Change In thousands of €
Current tax	4.5.1	-41,706	-48,447	6,741
Deferred tax	4.5.2	16,441	36,290	-19,849
Total	**4.5.3**	**-25,265**	**-12,157**	**-13,108**

Income tax expenses are up €13,108 thousand as compared with those of the year 2017. This change is explained as follows:

4.5.1. Current tax	31-12-2018	31-12-2017	Change In thousands of €
Income taxes on the result of the current period	**-41,671**	**-49,344**	**7,673**
Taxes and withholding taxes due or paid	-44,728	-48,165	3,437
Excess of payment of taxes and withholding taxes included in assets	3,057	0	3,057
Additional taxes	0	-1,179	1,179
Adjustments to previous years' current taxes	**-35**	**897**	**-932**
Total	**-41,706**	**-48,447**	**6,741**

Current tax decreased by €6,741 thousand as compared with the previous financial year. This variation can be explained on the one hand by the decrease in earnings before tax and on the other hand by the fiscal reform in Belgium, which reduced the nominal tax rate from 33.99% in 2017 to 29.58% in 2018.

4.5.2. Deferred tax

In thousands of €

	31-12-2018	31-12-2017	Change
Relating to origination or reversal of temporary differences	**16,441**	**20,080**	**-3,639**
Differences arising from the valuation of property, plant and equipment	15,397	19,760	-4,363
Changes in provisions	500	175	325
Other changes	544	145	399
Relating to tax rate changes or to new taxes	**0**	**16,210**	**-16,210**
Relating to changes in accounting policies and errors	**0**	**0**	**0**
Relating to changes in fiscal status of entity or shareholders	**0**	**0**	**0**
Total	**16,441**	**36,290**	**-19,849**

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment.

Thanks to the reform of corporate tax in Belgium, the nominal tax rate went down 33.99% in 2017 to 29.58% in 2018 and 2019 and will go down to 25% from 2020. This progressive rate decrease has generated a non-recurring revision in 2017 of deferred taxes accounted for in the past amounting to €16,210 thousand. This revision essentially concerned the deferred taxes accounted for during the price allocation exercises from business combination operations. This non-recurring item justifies the decrease in the favourable impact of deferred taxes in 2018.

4.5.3. Reconciliation of expected income tax rate and effective average income tax rate

In thousands of €

	31-12-2018	31-12-2017	Change
Expected tax as per effective average tax rate – Financial year	**-23,585**	**-28,034**	**4,449**
Earnings before tax	79,734	82,478	-2,744
Applicable tax rate	29.58%	33.99%	
Reconciling items	**-1,645**	**14,980**	**-16,625**
Income tax rate differences between jurisdictions	249	573	-324
Change in tax rate	0	16,210	-16,210
Tax-exempt income	0	0	0
Non-deductible expenses	-1,894	-1,756	-138
Taxable dividend income	0	-107	107
Deductible notional interest cost	0	60	-60
Other	0	0	0
Income tax as per effective average tax rate – Financial year	**-25,230**	**-13,054**	**-12,176**
Earnings before tax	79,734	82,478	-2,744
Average effective tax rate	31.64%	15.83%	15.81%
Taxes on tax-exempt reserves	**0**	**0**	**0**
Adjustments to previous years' current taxes	**-35**	**897**	**-932**
Total income tax expense	**-25,265**	**-12,157**	**-13,108**

The average effective tax rate for 2018 amounted to 31.64% compared with 15.83% the previous year. This increase can chiefly be explained by the non-recurring review of deferred taxes recorded in 2017 and linked to the change in tax rates (see Note 4.5.2). This impact has been attenuated by the reduction in current tax (see Note 4.5.1), also linked to the aforementioned change in tax rates.

Note 4.6. Net profit/loss for the period

Net profit/loss for the period			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Non-controlling interests	0	0	0
Group share	54,469	70,321	-15,852
Total net profit for the period	**54,469**	**70,321**	**-15,852**

The consolidated net profit for the financial year amounted to €54,469 thousand, a decrease of €15,852 thousand compared with 2017.

The corporate tax reform in Belgium generated, in 2017, a non-recurring revision in deferred taxes accounted for in the past of €16.2 million. The ensuing increase in the consolidated net profit did not, however, have any impact on the distributable profit and the dividend of Fluxys Belgium. The regulated net profit for shareholders was not affected by tax rates. Nevertheless, the fiscal reform did have a favourable effect on future tariffs, because the decrease in taxes associated with the rate review reduces the costs to be covered by the tariffs.

Net profit/loss from Belgian regulated activities is primarily determined by various regulatory parameters, notably equity invested, financial structure and interest rates (OLO).

The interest rates used as reference to calculate the authorised return on the regulated assets are those of the ten-year Belgian government bonds issued by the Belgian State (OLOs). The average OLO interest rate for the period totalled 0.81% in 2018 compared to 0.74% in 2017. This increase has a favourable effect on the regulated authorised rate of return on capital invested and therefore on results for 2018. On the other hand, profit/loss from 2017 was favourably affected by the profit/loss from non-regulated activities, an effect that was compensated in 2018 by the realised efficiency gains. Together, these items represent a favourable impact of €3.1 million.

Note 4.7. Earning per share

Numerator (in thousands of €)	31-12-2018	31-12-2017
Net income from continuing operations attributable to the parent company's shareholders	**54,469**	**70,321**
Net profit	54,469	70,321
Impact of dilutive instruments	0	0
Diluted net income from continuing operations attributable to the parent company's shareholders	**54,469**	**70,321**
Net profit / loss from discontinued operations attributable to the parent company's shareholders	0	**0**
Net profit	0	0
Impact of dilutive instruments	0	0
Diluted net profit / loss from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit attributable to the parent company's shareholders	**54,469**	**70,321**
Net profit	54,469	70,321
Impact of dilutive instruments	0	0
Diluted net profit per attributable to the parent company's shareholders	**54,469**	**70,321**

Denominator (in units)	31-12-2018	31-12-2017
Average number of outstanding shares	**70,263,501**	**70,263,501**
Impact of dilutive instruments	0	0
Diluted average number of outstanding shares	**70,263,501**	**70,263,501**

Earning per share (in euros)	31-12-2018	31-12-2017
Basic earnings per share from continuing operations attributable to the parent company's shareholders	0.7752	1.0008
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	0.7752	1.0008
Basic earnings per share from continuing operations attributable to the parent company's shareholders	0.0000	0.0000
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	0.0000	0.0000
Basic earnings per share attributable to the parent company's shareholders	0.7752	1.0008
Diluted earnings per share attributable to the parent company's shareholders in €	0.7752	1.0008

Note 5. Segment balance sheet

Segment balance sheet at 31-12-2018						In thousands of €
	Transmission	**Storage**	**Terminalling**	**Other**	**Unallocated**	**Total**
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 financial assets	85	0	0	77,440	0	77,525
Inventories	24,457	2,989	1,427	230	0	29,103
Finance 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
						2,914,902
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
						2,227,746
Equity						687,156
						2,914,902
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

Segment balance sheet at 31-12-2017						In thousands of €
	Transmission	**Storage**	**Terminalling**	**Other**	**Unallocated**	**Total**
Property, plant and equipment	1,535,495	167,959	542,243	4,962	0	2,250,659
Intangible assets	44,519	0	125	602	0	45,246
Other financial assets	87	0	0	81,092	0	81,179
Inventories	22,592	2,916	2,199	149	0	27,856
Finance lease receivables	0	0	0	7,222	0	7,222
Net trade receivables	87,935	3,516	2,407	12,172	0	106,030
Other assets					772,681	772,681
						3,290,873
Interest-bearing liabilities	1,483,939	168,567	432,091	135,233	0	2,219,830
Other liabilities					357,248	357,248
						2.577.078
Equity						713,795
						3,290,873
Investments in property, plant and equipment for the period	16,821	1,672	64,792	69	0	83,354
Investments in intangible assets for the period	3,446	0	6	0	0	3,452

Note 5.1. Property, plant and equipment

Movements in property, plant and equipment	Land	Buildings	Gas transmission facilities*	Storage facilities*
Gross book value				
As at 31-12-2016	**47,344**	**160,218**	**3,414,641**	**378,561**
Investments	229	424	10,840	1,648
Subsidies	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-43	-38	-3,911	0
Internal transfers	0	96	1,595	852
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2017	**47,530**	**160,700**	**3,423,165**	**381,061**
Investments	124	188	9,653	604
Subsidies	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-73	0	-776	0
Internal transfers	0	77	3,489	0
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2018	**47,581**	**160,965**	**3,435,531**	**381,665**

** Installations subject to the Gas Act*

					In thousands of €
	LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
	1,145,793	**43,418**	**54,337**	**117,417**	**5,361,729**
	4,025	57	5,477	60,654	83,354
	-1,774	0	0	-342	-2,116
	0	0	0	0	0
	-785	0	-974	-124	-5,875
	-2,579	0	0	36	0
	0	0	0	0	0
	0	0	0	0	0
	1,144,680	**43,475**	**58,840**	**177,641**	**5,437,092**
	2,162	33	5,706	59,669	78,139
	0	0	0	0	0
	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
	1,149,682	**43,508**	**56,625**	**230,894**	**5,506,451**

Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks*	Storage facilities*
Depreciation and impairment losses				
As at 31-12-2016	**0**	**-84,432**	**-1,906,448**	**-209,190**
Depreciation	0	-3,004	-101,885	-10,768
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	2	2,873	0
Internal transfers	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2017	**0**	**-87,434**	**-2,005,460**	**-219,958**
Depreciation	0	-3,107	-97,696	-10,578
Acquisitions through business combinations	0			
Disposals and retirements	0	0	68	0
Internal transfers	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2018	**0**	**-90,541**	**-2,103,088**	**-230,536**
Net book values as at 31-12-2018	**47,581**	**70,424**	**1,332,443**	**151,129**
Net book values as at 31-12-2017	**47,530**	**73,266**	**1,417,705**	**161,103**

** Installations subject to the Gas Act*

In thousands of €

LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
-757,871	**-43,055**	**-39,610**	**0**	**-3,040,606**
-28,862	-84	-5,022	0	-149,625
0	0	0	0	0
1	0	922	0	3,798
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-786,732	**-43,139**	**-43,710**	**0**	**-3,186,433**
-29,043	-66	-5,575	0	-146,065
				0
6	0	7,744	0	7,818
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-815,769	**-43,205**	**-41,541**	**0**	**-3,324,680**
333,913	**303**	**15,084**	**230,894**	**2,181,771**
357,948	**336**	**15,130**	**177,641**	**2,250,659**

Movements in property, plant and equipment

	Land	Buildings	Gas transmission facilities*	Storage facilities*
Net book value at 31-12-2018, including:	**47,581**	**70,424**	**1,332,443**	**151,129**
At cost	**47,581**	**70,424**	**1,332,443**	**151,129**
At revaluation	0	0	0	0
Net book values as at 31-12-2018 of assets held under finance leases	**0**	**0**	**0**	**0**
Supplementary information :				
Net book value of assets temporarily retired from active use	**110**	**0**	**0**	**0**

** Installations subject to the Gas Act*

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

In 2018, the Fluxys Belgium group made investments of €78,139 thousand.

Of this amount, €59,494 thousand was allocated to LNG infrastructure projects (principally the construction of the fifth storage tank at the Zeebrugge LNG Terminal) and €17,793 thousand to projects associated with transmission activity.

In relation to investments that are currently in progress or planned, the group has commitments under Engineering, Procurement and Construction Management contracts for an amount of €13.8 million as at 31-12-2018.

				In thousands of €
LNG terminal*	**Other installations and machinery**	**Furniture, equipment & vehicles**	**Assets under construction & instalments paid**	**Total**
333,913	**303**	**15,084**	**230,894**	**2,181,771**
333,913	**303**	**15,084**	**230,894**	**2,181,771**
0	0	0	0	0
0	**0**	**0**	**0**	**0**
0	**0**	**0**	**0**	**110**

The costs for loans activated on investments under construction came to €2,733 thousand in 2018 compared to €3,528 thousand in 2017. The interest rates used are based on the cost of the loans concerned.

The depreciation charge for the period amounts to €146,065 thousand and reflects the rate at which the group expects to consume the economic benefits of the property, plant and equipment.

The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specific nature of the sector's activities.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs. Given the specific nature of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date the group does not hold property, plant and equipment assets which have been pledged as security against liabilities.

At the end of the financial year, the group has identified no indications or event that would lead any item of property, plant and equipment to be considered impaired.

Note 5.2. Intangible assets

Movements in the book value of intangible assets				In thousands of €
	Software	Client portfolios	CO_2 emission rights	Total
Gross book value				
As at 31-12-2016	**32,240**	**52,800**	**0**	**85,040**
Investments	3,452	0	0	3,452
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-5,205	0	0	-5,205
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2017	**30,487**	**52,800**	**0**	**83,287**
Investments	4,116			4.116
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-10,589			-10,589
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2018	**24,014**	**52,800**	**0**	**76,814**

Movements in the book value of intangible assets				In thousands of €
	Software	**Client portfolios**	**CO_2 emission rights**	**Total**
Depreciation and impairment losses				
As at 31-12-2016	**-25,143**	**-7,647**	**0**	**-32,790**
Depreciation	-4,006	-6,450	0	-10,456
Impairment losses	0	0	0	0
Disposals and retirements	5,205	0	0	5,205
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2017	**-23,944**	**-14,097**	**0**	**-38,041**
Depreciation	-3,050	-6,450	0	-9,500
Impairment losses	0	0	0	0
Disposals and retirements	10,589	0	0	10,589
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2018	**-16,405**	**-20,547**	**0**	**-36,952**

Movements in the book value of intangible assets				In thousands of €
	Software	**Client portfolios**	**CO_2 emission rights**	**Total**
Net book values as at 31-12-2018	**7,609**	**32,253**	**0**	**39,862**
Net book values as at 31-12-2017	**6,543**	**38,703**	**0**	**45,246**

Intangible assets include the net book value of software, the portfolio of 'Hub' clients and emission rights.

The software included in intangible assets is investment software developed or purchased by the group. This software is depreciated over 5 years on a straight-line basis. Major investments during the financial year concern software developed in relation to gas flow and asset management and related administrative tools.

In 2015, Fluxys Belgium acquired all of Huberator's business activities for €52.8 million. This intangible asset will be fully depreciated in 2023.

The gas transmission facilities in Belgium are included in the scheme for greenhouse gas emission allowance trading. Accordingly, Fluxys Belgium group was given free emission rights for 2018 amounting to 42,013 tonnes of CO2 for the compression, storage and terminalling activity sites. In accordance with the accounting policies stated in Note 2, the unused emission rights have been recognised at nil value under intangible assets.

The group emphasises that no indications existed at the balance sheet date that any item of property, plant and equipment may have been impaired.

Note 5.3. Other financial assets

Other financial assets	Notes	31-12-2018	31-12-2017
			In thousands of €
Shares at cost		24	24
Investment securities at fair value through profit or loss	5.3.1	0	81,092
Investment securities at amortised cost	5.3.1	9,656	0
Other investments at amortised cost	5.3.1	65,990	0
Financial instruments at fair value through profit or loss		1,794	0
Other financial assets at cost		61	63
Total		**77,525**	**81,179**

5.3.1. These items relate to cash investments with a maturity longer than one year. These come mainly from Flux Re, the cash of which is used to cover the risk incurred by the company within its reinsurance activities. The maturity of these investments is between 2020 and 2027.

Note 5.4. Finance lease receivables

Finance lease receivables			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Non-current receivables	3,902	0	3,902
Current receivables	690	7,222	-6,532
Total	**4,592**	**7,222**	**-2,630**

Finance lease receivables include the contract relating to the Interconnector Zeebrugge Terminal (IZT): in accordance with IAS 17, this lease contract signed with IZT SCRL for IZT has been accounted for as a finance lease. This agreement started in 1998 for an initial duration of 20 years. In March 2018, IZT asked to extend the leasing contract with Fluxys Belgium for a duration of 5 years. A variable interest rate (base: Euribor) is applied to this receivable.

Maturity of finance lease receivables at 31-12-2018				In thousands of €
	Up to one year	**Between one and five years**	**Over five years**	**Total**
Finance lease receivables	690	3,902	0	4,592
Total	**690**	**3,902**	**0**	**4,592**
Finance lease receivables				
Present value of minimum lease payments at market rate	758	4,123	0	4,881
Total minimum lease payments (A)	758	4,123	0	4,881
Interest (B)	68	221	0	289
Total finance lease receivables (A-B)	690	3,902	0	4,592

Maturity of finance lease receivables at 31-12-2017				In thousands of €
	Up to one year	**Between one and five years**	**Over five years**	**Total**
Finance lease receivables	7,222	0	0	7,222
Total	**7,222**	**0**	**0**	**7,222**

Finance lease receivables				
Present value of minimum lease payments at market rate	7,311	0	0	7,311
Total minimum lease payments (A)	7,311	0	0	7,311
Interest (B)	89	0	0	89
Total finance lease receivables (A-B)	7,222	0	0	7,222

At the closing date, the total value of minimum payments corresponds with the best estimate of the lease royalties to be received regardless of whether they relate to the capital to be received (finance lease receivables), interests to be received (interests), or the purchase option (finance lease receivables). These payments are then discounted at the market rate so as to obtain the present value of the minimum lease payments.

Note 5.5. Other non-current assets

Other non-current assets				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Plan asset surpluses 'IAS 19 Employee benefits'	5.13	15,934	11,475	4,459
Prepaid insurance expenses	5.5.1	2,537	4,222	-1,685
Total		**18,471**	**15,697**	**2,774**

5.5.1. Fluxys LNG is insured through Credendo against certain risks incurred as part of the transshipment project. This insurance is in effect until 2021. The part of this premium that has been paid and is not past due is included under this item for the part that is due in more than one year, whilst the part that is due within the year is included in the item 'Other current assets' (see Note 5.9).

Note 5.6. Inventories

Book value of inventories			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Supplies	**16,830**	**16,629**	**201**
Gross book value	23,598	22,996	602
Impairment losses	-6,768	-6,367	-401
Goods held for resale	**12,044**	**11,078**	**966**
Gross book value	12,044	11,078	966
Impairment losses	0	0	0
Work in progress	**229**	**149**	**80**
Gross book value	229	149	80
Impairment losses	0	0	0
Total	**29,103**	**27,856**	**1,247**

Inventories of materials connected to the transmission network are at their normal levels.

Impact of movements on net profit/loss			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Inventories – purchased or used	1,648	5,525	-3,877
Impairment losses	-401	831	-1,232
Total	**1,247**	**6,356**	**-5,109**

Note 5.7. Trade and other receivables

Trade and other receivables				In thousands of €
	Notes	31-12-2018	31-12-2017	Change
Gross trade receivables		95,618	107,555	-11,937
Impairment losses		-1,567	-1,525	-42
Net trade receivables	5.7.1	94,051	106,030	-11,979
Other receivables		3,166	2,568	598
Total		**97,217**	**108,598**	**-11,381**

5.7.1 Fluxys Belgium group reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers (payment within one month), a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position. Expected and booked credit losses on trade and other receivables are not material for the Fluxys Belgium group.

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

Net trade receivables according to ageing			In thousands of €
	31-12-2018	31-12-2017	Change
Receivables not past due	90,456	105,128	-14,672
Receivables < 3 months	3,399	680	2,719
Receivables 3 - 6 months	96	0	96
Receivables > 6 months	0	0	0
Receivables in litigation or doubtful	100	222	-122
Total	**94,051**	**106,030**	**-11,979**

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

Note 5.8. Short-term investments, cash and cash equivalents

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

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

Short-term investments, cash and cash-equivalents				In thousands of €
		31-12-2018	**31-12-2017**	**Change**
Short-term investments	**5.8.1**	**53,279**	**415,153**	**-361,874**
Cash and cash equivalents		**389,587**	**320,573**	**69,014**
Cash equivalents and cash pooling		351,940	294,849	57,091
Short-term deposits		2,861	205	2,656
Bank balances		34,772	25,502	9,270
Cash in hand		14	17	-3
Total		**442,866**	**735,726**	**-292,860**

In 2018, the average rate of return on short-term investments, cash and cash equivalents was 0.15% against 0.26% in 2017. This fall can be explained by the change in market interest rates. Expected and booked credit losses on investments, cash and cash equivalents are not material for the Fluxys Belgium group.

5.8.1 In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018 (see Note 5.11.1).

Fluxys Belgium has invested this €350,000 thousand at a fixed interest rate with Fluxys for a duration of 7 months.

Note 5.9. Other non-current assets

Other non-current assets				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Accrued income		445	555	-110
Prepaid expenses		14,840	15,184	-344
Other current assets	5.9.1	1,770	2,923	-1,153
Total		**17,055**	**18,662**	**-1,607**

Other current assets mainly comprise prepaid expenses amounting to €14,840 thousand (insurance, fees, rent, etc.) as well as various items of accrued income.

5.9.1 Other current assets include the short-term share of the plan asset surpluses compared with the actuarial debt relating to the group's pension liabilities (see Notes 5.5 and 5.13).

Note 5.10. Equity

On 31-12-2018, equity amounted to €687,156 thousand. The €26,639 thousand decrease since the previous year comes essentially from dividends distributed in 2018 (-€86,424 thousand), a decrease partially offset by the overall result for the period (+€59,473 thousand).

Note on parent entity shareholdings

	Ordinary shares	Preferential shares	Total
I. Movements in number of shares			
1. Number of shares, opening balance	70,263,501	0	70,263,501
2. Number of shares issued			0
3. Number of ordinary shares cancelled or reduced (-)			0
4. Number of preference shares reimbursed, converted or reduced (-)			0
5. Other increase (/ decrease)			0
6. Number of shares, closing balance	70,263,501	0	70,263,501
II. Other information			
1. Face value of shares	No face value mentioned		
2. Number of shares owned by the company	0	0	0
3. Interim dividends during the financial year			0

The share capital of Fluxys Belgium SA is represented by 70,263,501 shares with no face value, divided into two categories, in addition to the specific share.

Shares in category B are and remain registered. They are held by long-term shareholders.

Category D shares are registered or dematerialised and are mainly held by the general public.

The Belgian State owns one specific registered share, namely share no. 1, which does not belong to any of the above categories and shall be referred to hereinafter as the 'specific share'. In accordance with the Fluxys Belgium articles of association, this 'specific share' carries specific rights. These specific rights remain attached to this share in addition to the common rights attached to the ordinary shares of Fluxys Belgium (former Distrigas), as long as this share is owned by the Belgian State, as established in Articles 3 to 5 of the Royal Decree of 16 June 1994. These specific rights are exercised by the Federal Minister responsible for energy. In addition to these specific rights this 'specific share' also entitles the owner to receive 100 times the dividend or any other distribution by the entity to its shareholders, than the ones attached to the category B or D shares.

Note 5.11. Interest-bearing liabilities

Non-current interest bearing liabilities				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Bonds	5.11.1	695,276	694,812	464
Other borrowings	5.11.2	543,000	563,000	-20,000
Other financing	5.11.3	95,343	157,538	-62,195
Other liabilities	5.11.4	390,212	337,304	52,908
Total		**1,723,831**	**1,752,654**	**-28,823**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

Current interest bearing liabilities				In thousands of €
	Notes	**31-12-2018**	**31-12-2017**	**Change**
Bonds	5.11.1	2,523	362,336	-359,813
Other borrowings	5.11.2	30,017	30,494	-477
Other financing	5.11.3	30,097	20,361	9,736
Other liabilities	5.11.4	95,367	53,985	41,382
Total		**158,004**	**467,176**	**-309,172**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

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

5.11.2. Other borrowings include:

- A 25-year loan of €400,000 thousand at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network, the balance of which was €306,000 thousand as at 31-12-2018.
- A loan of €257,000 thousand at a fixed rate of 3.20% with Fluxys to cover needs relating to investments necessary for the transshipment services at the Zeebrugge LNG Terminal.
- Short-term loans and accrued interest amounting to €10,017 thousand.

5.11.3. Other financing corresponds to the amount at the group's disposal to finance investments, notably in the second jetty at Zeebrugge, but also the cost related to the conversion of part of the gas transmission network. These amounts carry interest at a 10-year rate for one part and at an average 1-year Euribor rate for the balance.

5.11.4. Regulatory liabilities included in 'other liabilities' represent the positive difference between the invoiced regulated tariffs and the acquired regulated tariffs. The share of tariffs listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the share to be used within the year is listed as current liabilities. These amounts bear interest at the average Euribor 1-year rate.

Changes in liabilities based on financing activities						In thousands of €
	31.12.2017	Cash flow	Other movements			31.12.2018
			Reclassifications between non-current and current	Variation in interest to be paid	Amortisation of issuance costs	Total
Non-current interest-bearing liabilities	**1,752,654**	**-9,287**	**-20,000**	**0**	**464**	**1,723,831**
Finance leases	0					0
Bonds	694,812				464	695,276
Other borrowings	563,000		-20,000			543,000
Other financing	157,538	-62,195				95,343
Other liabilities	337,304	52,908				390,212
Current interest-bearing liabilities	**467,176**	**-319,130**	**20,000**	**-10,091**	**49**	**158,004**
Finance leases	0					0
Bonds	362,336	-350,000		-9,862	49	2,523
Other borrowings	30,494	-20,248	20,000	-229		30,017
Other financing	20,361	9,736				30,097
Other liabilities	53,985	41,382				95,367
Total	**2,219,830**	**-328,417**	**0**	**-10,091**	**513**	**1,881,835**

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

The variation in interest to be paid and the amortisation of issuance costs correspond to the difference between interest paid (see point IV.3.1 of the summarised consolidated statement of cash flows) and interest charges on debts (see Note 4.4.1).

Maturity interest bearing liabilities at 31-12-2018, non-discounted				In thousands of €
	Up to year	Between one and five years	Over five years	Total
Bonds	19,316	67,216	803,051	889,583
Other borrowings	50,937	221,465	462,039	734,441
Other financing	30,706	36,308	64,902	131,916
Other liabilities	95,367	274,958	115,254	485,579
Total	**196,326**	**599,947**	**1,445,246**	**2,241,519**
Supplementary information				
Finance leases				
Present value of minimum lease payments at market rate	0	0	0	0
Total minimum lease payments	0	0	0	0
Interests	0	0	0	0

Maturity interest bearing liabilities at 31-12-2017, non-discounted				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Bonds	384,211	67,216	777,552	1,228,979
Other borrowings	52,251	203,538	520,886	776,675
Other financing	21,001	78,638	85,377	185,016
Other liabilities	53,985	163,500	173,804	391,289
Total	**511,448**	**512,892**	**1,557,619**	**2,581,959**
Supplementary information				
Finance leases				
Present value of minimum lease payments at market rate	0	0	0	0
Total minimum lease payments	0	0	0	0
Interests	0	0	0	0

Note 5.12. Provisions

5.12.1.Provisions for employee benefits

Provisions for employee benefits	In thousands of €
	63,225
Provisions at 31-12-2017	8,720
Additions	-6,810
Use	0
Release	2,855
Unwinding of the discount	-427
Actual gains / losses recognised in profit / loss (seniority bonuses)	-2.066
Actual gains / losses directly recognised in equity	-6,140
Reclassification to the assets	3,306
Provisions at 31-12-2018 of which :	**62,663**
Non-current provisions	58,819
Current provisions	3,844

Provisions for employee benefits (see Note 5.13) are slightly down. The defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2018. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (see Note 5.5) and 'Other current assets' see Note 5.9.1). Based on the interpretation of IFRIC 14 § 21, the group had capped recognised assets at €14,398 thousand in 2017 pending any changes to the financing policy. This was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans. This cap therefore no longer applies in 2018.

5.12.2.Other provisions

Provisions for:			In thousands of €
	Litigation and claims	**Environment and site restoration**	**Total other provisions**
Provisions at 31-12-2017	**2,463**	**1,809**	**4,272**
Additions	26	0	26
Use	0	-120	-120
Release	0	0	0
Unwinding of the discount	0	59	59
Provisions at 31-12-2018 of which :	**2,489**	**1,748**	**4,237**
Non-current provisions	2,489	1,539	4,028
Current provisions	0	209	209

5.12.3.Movements in the income statement and maturity of provisions

Movements in the income statement and maturity of provisions:

Impact			In thousands of €
	Additions	Use and reversals	Total
Profit (loss) from continuing operations	8,746	-6,930	1,816
Financial profit (loss)	2,914	-2,493	421
Total	**11,660**	**-9,423**	**2,237**

Maturity of provision at 31-12-2018				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Litigation and claims	0	0	2,489	2,489
Environment and site restoration	209	1,539	0	1,748
Subtotal	**209**	**1,539**	**2,489**	**4,237**
Employee benefits	3,844	15,376	43,443	62,663
Total	**4,053**	**16,915**	**45,932**	**66,900**

Maturity of provisions at 31-12-2017				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Litigation and claims	0	0	2,463	2,463
Environment and site restoration	325	1,484	0	1,809
Subtotal	**325**	**1,484**	**2,463**	**4,272**
Employee benefits	3,879	15,516	43,830	63,225
Total	**4,204**	**17,000**	**46,293**	**67,497**

Discount rate

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

Discount rate	31-12-2018	31-12-2017
Between one and five years	0.31%	0.02%
Between six and nine years	1.10%	0.86%
Between ten and twelve years	1.27%	0.90%
Between thirteen and nineteen years	1.70%	1.73%
Over nineteen years	1.72%	1.81%

Provisions for litigation and claims

These provisions have been established to cover likely litigation payments arising for instance from the construction of the Zeebrugge LNG terminal (1983).

The estimate for these provisions is based on the value of claims filed or on the estimated amount of risk incurred.

Provisions for the environment and site restoration

These provisions essentially cover the costs of safety, clean-up and restoration of sites subject to closure.

These provisions are accrued in accordance with the Belgian regional environmental legislation and the Belgian Gas Act. The obligations covered by these provisions require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

Note 5.13. Provisions for employee benefits

Description of the principal retirement schemes and related benefits

In Belgium, collective agreements govern the rights of employees of companies in the Electricity and Gas industries.

Defined benefit pension plans

These agreements cover 'non-exempt population' recruited before 1 June 2002 and after 1 May 1999. They provide their members with lump-sum pension benefits calculated according to a formula that takes into account their final annual salary and their number of years of service accrued at the time of retirement. These are termed 'defined benefit' pension plans.

The obligations under these pension plans are financed through several pension funds established for the Gas and Electricity sector and through insurance companies.

Both employees and employers contribute to these pension plans. The employer's contribution is determined annually on the basis of an actuarial report which aims to verify that the legal requirements pertaining to minimum financing are complied with, and that the long-term financing of the benefits is assured.

Description of main actuarial risks

As part of these defined benefit plans, the group is exposed to risks associated with actuarial assumptions made concerning investments, interest rates, life expectancy rates and changes in salaries.

The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds.

Each year, the discount rate used to calculate obligations for financing pension commitments and the minimum financing requirements are compared with the expected return on plan assets. The latter is obtained from the risk-free rate observed on the financial markets at the balance sheet date, the risk premiums for each category of assets in the portfolio and their corresponding volatility. If the expected return is lower than the discount rate, the latter is reduced.

The assumptions relating to salary increases, inflation, staff turnover and expected average retirement age are defined based on the company's historical statistics. The mortality tables used are those published by the IABE [the Belgian institute of actuaries].

The defined benefit pension plans have surplus plan assets of €17,704 thousand compared with the actuarial liability on estimated liabilities of the group as at 31-12-2018. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' and 'Other current assets'. Based on a strict interpretation of IFRIC 14 § 21, the group capped recognised assets at €14,398 thousand in 2017 pending any changes to the financing policy. This was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans. This cap therefore no longer applies in 2018.

Defined contribution pension plans with a minimum guaranteed return

In Belgium, 'non-exempt population' recruited as of 1 June 2002 and senior staff recruited as of 1 May 1999, as well as members of the management benefit from defined contribution pension plans.

Employees and employers contribute to these pension plans. Employers' contributions are based on a multiple of employees' contributions. The obligations under these defined contribution pension plans are financed through several pension funds established for the Gas and Electricity sector.

Les actifs des fonds de pension sont alloués entre les différentes catégories de risques suivantes :

- *Low risk* : obligations de la zone euro et/ou obligations de haute qualité.
- *Medium risk* : diversification des risques entre obligations, obligations convertibles, immobilier et instruments de fonds propres.
- *High risk* : instruments de fonds propres, immobilier, ...
- *Dynamic Asset Allocation* : adaptation rapide de la structure du portefeuille lors d'événements spécifiques afin de limiter les pertes dans les périodes de stress.

Pension fund assets are allocated to the following different risk categories:

- *Low risk*: Eurozone bonds and/or high-quality bonds.
- *Medium risk*: risk diversification between bonds, convertible bonds, property and own funds instruments.
- *High risk*: own funds instruments, property etc.
- *Dynamic Asset Allocation*: rapid adjustment of the structure of the portfolio in the case of specific events, in order to limit losses in periods of stress.

Belgian legislation requires the employer to guarantee a minimum return for defined contribution plans at a rate which varies in accordance with market rates.

The minimum returns guaranteed by the employer are the following:

- For contributions paid as of 01-01-2016, the minimum return is variable based on OLO rates, with a minimum rate of 1.75% and a maximum rate of 3.75%. Based on the current rates, this minimum guaranteed return has initially been set at a rate of 1.75%.

- For contributions paid until 31-12-2015, the minimum return of 3.25% for employer contributions and 3.75% for employee contributions applies until that date. Since 01-01-2016, the minimum return is calculated as specified in the previous paragraph.

The accounting method used by the group to value these 'defined contribution plans with a guaranteed minimum return' is identical to the method used for 'defined benefit plans' (See Note 2.16).

Description of the main risks

Defined contribution plans expose the employer to the risk of a minimum return on pension fund assets that do not offer a sufficient guaranteed return.

Other long-term employee benefits

The Fluxys Belgium group also offers early retirement schemes, other post-employment benefits such as reimbursement of medical expenses and tariff discounts, as well as other long-term benefits (seniority payments). Not all of these benefits are financed.

Financial status of the employee benefits

In thousands of €	Pensions *		Other **	
	2018	**2017**	**2018**	**2017**
Present value of funded obligations	-193,234	-183,456	-43,083	-51,592
Fair value of plan assets	191,358	201,052	0	0
Funded status of plans	**-1,876**	**17,596**	**-43,083**	**-51,592**
Impact on minimum funding requirement/effect of the asset ceiling	0	-14,831	0	0
Other	0	0	0	0
Net employee benefit liability	**-1,876**	**2,765**	**-43,083**	**-51,592**
Of which assets	17,704	14,398	0	0
Of which liabilities	-19,580	-11,633	-43,083	-51,592

* Pensions also include non-prefinanced early-retirement obligations. They also include, since 2018, contributions paid to cover pension schemes with a profile that takes into account seniority.
** The item 'Other' includes seniority bonuses paid over the course of the career as well as other post-employment benefits (reimbursement of medical expenses and price subsidies).

Movements in the present value of obligations

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
At the start of the period	**-183,456**	**-180,608**	**-51,592**	**-53,376**
Service costs	-7,573	-6,444	-1,147	-1,662
Early retirement costs	271	231	0	0
Financial loss (-) / profit (+)	-2,203	-2,065	-652	-713
Participant's contributions	-725	-836	0	0
Change in demographic assumptions	-863	-3,150	-74	467
Change in financial assumptions	7,284	-1,312	253	983
Change from experience adjustments	-4,027	2,750	293	866
Past service costs	0	0	0	0
Benefits paid	6,114	7,978	1,780	1,843
Reclassifications	-8,056		8,056	
Other	0	0	0	0
At the end of the period	**-193,234**	**-183,456**	**-43,083**	**-51,592**

Reclassifications recognised in 2018 corresponded to commitments associated with pension schemes with a profile of contribution payments that takes account of seniority.

Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2018	2017	2018	2017
At the start of the period	**201,052**	**188,694**	**0**	**0**
Interest income	2,066	2,091	0	0
Return on plan assets (excluding net interest income)	-10,566	10,931	0	0
Employer's contributions	4,759	6,478	1,780	1,843
Participants' contributions	725	836	0	0
Benefits paid	-6,114	-7,978	-1,780	-1,843
Change in financial assumptions	-564	0	0	
Other	0	0	0	0
At the end of the period	**191,358**	**201,052**	**0**	**0**
Actual return on plan assets	**-8,500**	**13,022**	**0**	**0**

The actual return from plan assets was affected by the situation in the financial markets at the end of 2018.

Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2018	**2017**	**2018**	**2017**
Cost				
Service costs	-7,573	-6,444	-1,147	-1,662
Early retirement costs	271	231	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	271	0	156	1,452
Net interest on net liabilities / (assets)				
Interest expense on obligations	-2,203	-2,065	-652	-713
Interest income on plan assets	2,066	2,091	0	0
Costs recognised in profit or loss	**-7,168**	**-6,187**	**-1,643**	**-923**

Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other **	
	2018	**2017**	**2018**	**2017**
Change in demographic assumptions	-863	-3,150	-74	467
Change in financial assumptions	6,449	-1,312	97	-469
Change from experience adjustments	-4,027	2,750	293	866
Effect of the asset ceiling	14,831	-14,831	0	0
Return on plan assets (excluding net interest income)	-10,566	10,931	0	0
Actuarial losses (gains) recognised in other comprehensive income	**5,824**	**-5,612**	**316**	**864**

Allocation of obligations by type of participant to the plan

In thousands of €	2018	2017
Active plan participants	-198,446	-195,108
Non-active participants with deferred benefits	-9,338	-11,160
Retirees and beneficiaries	-28,533	-28,780
Total	**-236,317**	**-235,048**

Allocation of obligations by type of benefit

In thousands of €	2018	2017
Retirement and death benefits	-193,234	-183,456
Other post-employment benefits (medical expenses and tariff reductions)	-31,565	-31,718
Seniority bonuses	-11,518	-19,874
Total	**-236,317**	**-235,048**

Main actuarial assumptions used

	2018	2017
Discount rate between 10 to 12 years	1.27%	0.90%
Discount rate between 13 to 19 years	1.70%	1.73%
Discount rate over 19 years	1.72%	1.81%
Expected average salary increase	2.05%	1.75%
Expected inflation	1.75%	1.75%
Expected increase in health expenses	2.75%	2.75%
Expected increase of tariff advantages	1.75%	1.75%
Average assumed retirement age	63(BAR) / 65(CAD)	63(BAR) / 65(CAD)
Mortality tables	Prospective IABE	Prospective IABE
Life expectancy in years:		
For a person aged 65 at the balance sheet date:		
- Male	20	20
- Female	24	24
For a person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

The discount rate of the plans depends on their estimated average duration

The fair value of plan assets per major category

	2018	2017
Listed investments	**79.43%**	**80.81%**
Shares – Eurozone	15.97%	15.65%
Shares - outside Eurozone	20.61%	21.08%
Government bonds – Eurozone	1.78%	4.91%
Other bonds – Eurozone	27.08%	30.97%
Other bonds - outside Eurozone	13.99%	8.20%
Non-listed investments	**20.57%**	**19.19%**
Insurance contracts	0.00%	0.00%
Real estate	2.75%	3.74%
Cash and cash equivalents	3.36%	0.96%
Other	14.46%	14.49%
Total (in %)	**100.00%**	**100.00%**
Total (in thousands of €)	**191,358**	**201,052**

Sensitivity analysis

Impact on defined benefit obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.25%)	6,199
Average salary increase - Excluding inflation (0.1%)	-2,331
Increase in inflation rate (0.25%)	-5,009
Increase in healthcare benefits (0.1%)	-360
Increase in tariff benefits (0.5%)	-479
Increase in life expectancy of retirees (1 year)	-1,351

Average weighted duration of obligations

	2018	2017
Average weighted duration of defined benefit obligations	10	11
Average weighted duration of other obligations	19	19

Expected contribution to pay for extra-statutory pensions

	In thousands of €
Contribution attendue en 2019	3.029

The contributions to be paid are based on changes in the payroll of the population concerned.

Note 5.14. Deferred tax assets and liabilities

Recognised deferrad tax liabilities			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Valuation of assets	156,450	171,847	-15,397
Accrued income	867	1,377	-510
Fair value of financial instruments	114	39	75
Provisions for employee benefits or provisions not accepted under IFRS	31,203	30,567	636
Other normative differences	0	0	0
Total	**188,634**	**203,830**	**-15,196**

Deferred tax assets and liabilities are offset within each taxable entity. They are all fully recognised.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment. This difference arises firstly from the accounting in the opening balance sheet of property, plant and equipment at their fair value corresponding to their deemed cost and, secondly, from the accounting at fair value of the assets and liabilities arising from the SEGEO and Distrigas & C° business combinations in 2008.

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under Belgian GAAP but not recognised under IFRS are another major source of deferred tax.

Movement for the period	In thousands of €
	Deferred tax liabilities
As at 31-12-2017	**203,830**
Changes relating to the previous financial year : IFRS 9	109
Deferred tax expenses – Profit & loss account	-16.441
Deferred tax expenses – other comprehensive income	1.136
As at 31-12-2018	**188,634**

Note 5.15. Trade and other liabilities

Trade and other liabilities			In thousands of €
	31-12-2018	**31-12-2017**	**Change**
Trade payables	39,370	36,936	2,434
Payroll and related items	25,284	25,105	179
Other payables	14,691	14,916	-225
Total	**79,345**	**76,957**	**2,388**

Note 6. Financial instruments

Principles for managing financial risks

In the course of conducting its activities, the Fluxys Belgium group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and liabilities.

The group's administrative organisation, control and financial reports ensure that these risks are constantly monitored and managed.

The group may only use financial instruments for hedging, and not for speculative or trading purposes. All transactions are intended to meet the group's liquidity needs: no transaction may be entered into for the sole purpose of earning a speculative gain.

Cash management policy

The Fluxys Belgium group's cash is managed as part of a general policy that was approved by the Board of Directors.

Under this policy, cash surpluses are invested with Fluxys SA under cash pooling. By way of reminder, Fluxys SA centralises the management of Fluxys group's cash funds and financing.

The objective of this policy is to optimise the group’s cash positions. Transactions are entered into at market terms and conditions.

The group's financial policy stipulates that cash surpluses other than those referred to above be maintained at first-class financial institutions or invested in financial instruments issued by entities with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European Member State or whose share capital is predominantly controlled by state-owned entities. These external investments are made following a competitive bidding procedure both for the offers and for the products, and based on sufficient diversification to limit counterparty risk concentration. These investments are subject to constant monitoring and risk analysis on a case-by-case basis.

As at 31-12-2018, current investments, cash and cash equivalents amounted to €518,512 thousand compared with €816,818 thousand on 31-12-2017. In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018 (see Note 5.8.1), which explains the increase in cash investments at the end of 2017.

Credit and counterparty risks

The group systematically assesses its counterparties' financial capacity and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submit potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information, such as official analysis performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score. The group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. In addition, for most of its activities, the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration.

As regards the concentration risk it must be noted that three clients contribute 28%, 16% and 15% of the operating revenue. The breakdown per segment of these latter is €168 million in transmission, €28 million in storage and €101 million in terminalling.

Foreign exchange risk

The group's transactions are mostly denominated in EUR.

Group policy requires that all foreign currency assets and liabilities are hedged. Residual foreign currency positions may remain open for short periods, provided that they involve the group's main currencies and as long as the total position does not exceed €1 million.

A sensitivity analysis would not therefore be appropriate in this context.

Interest rate risk

The group's debt mainly consists of fixed interest rate loans, the balance of which amounting to €1,270,816 thousand at 31-12-2018 and maturing between 2019 and 2034. The balance of fixed-rate loans amounted to €1,650,642 thousand at 31 December 2017.

In addition, the group's interest-bearing liabilities include other financing and liabilities to be used within the regulatory framework. As further explained in Note 5.11, these tariff gains bear interest partly at the average Euribor 1 year rate and partly at a 10-year interest rate. The group does not incur any interest rate risks related to this.

Therefore, a sensitivity analysis is not representative for the risk inherent in these financial instruments. Consequently, the Fluxys Belgium group's exposure to interest rate risk is very limited.

Liquidity risk

Liquidity risk management is one of Fluxys Belgium group's main objectives. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

The Fluxys Belgium group can call upon Fluxys SA in case of liquidity needs, under the cash pooling arrangements. By way of reminder, Fluxys SA centralises the management of the Fluxys group's cash funds and financing, and has lines of credit.

The maturity of interest-bearing liabilities is provided in Note 5.11.

Summary of financial instruments at balance sheet date

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

The following table gives an overview of financial instruments at 31 December 2018:

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2018	**Category**	**Book value**	**Fair Value**	**Level**
I. Non-current assets				
Other financial assets at amortised cost	A	75,731	75,731	1 & 2
Other financial assets at fair value through prc	B	1,794	1,794	2
Finance lease receivables	A	3,902	3,902	2
Other receivables	A	144	144	2
II. Current assets				
Finance 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
Total financial instruments – assets		**622,344**	**622,344**	
I. Non-current liabilities				
Interest-bearing liabilities	A	1,723,831	1,745,664	2
Other financial liabilities	B	1,794	1,794	2
II. Current liabilities				
Interest-bearing liabilities	A	158,004	158,004	2
Trade and other payables	A	79,345	79,345	2
Total financial instruments - liabilities		**1,962,974**	**1,984,807**	

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.

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2017	**Category**	**Book value**	**Fair value**	**Level**
I. Non-current assets				
Other financial assets at amortised cost	A	87	87	1 & 2
Other financial assets at fair value through p	B	81,092	81,092	1 & 2
Finance lease receivables	A	0	0	2
II. Current assets				
Finance lease receivables	A	7,222	7,222	2
Trade and other receivables	A	108,598	108,598	2
Cash investments	A & B	415,153	415,153	1 & 2
Cash and cash equivalents	A & B	320,573	320,573	1 & 2
Total financial instruments – assets		**932,725**	**932,725**	
I. Non-current liabilities				
Interest-bearing liabilities	A	1,752,654	1,791,547	2
II. Current liabilities				
Interest-bearing liabilities	A	467,176	459,513	2
Trade and other payables	A	76,957	76,957	2
Total financial instruments - liabilities		**2,296,787**	**2,328,017**	

All of the group's financial instruments are measured at fair value and 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 cash 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 concerned, 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 balance sheet date.

Note 7. Contingent assets and liabilities – rights and liabilities of the group

Note 7.1. Litigation

7.1.1. Litigation regarding the oil business

Pursuant to an agreement signed on 9 November 1979, the Belgian State commissioned Fluxys Belgium SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys Belgium SA (formerly Distrigas) accepted this assignment provided that the Belgian State covered the costs, losses and all risks inherent to this assignment.

As part of the decision to discontinue the oil business, appeals were lodged against the Belgian State and Fluxys Belgium SA (formerly Distrigas).

The risk incurred by Fluxys Belgium SA (formerly Distrigas) is covered by a guarantee from the Belgian State (Royal Decree of 3 February 1981 - Belgian Official Gazette of 17 February 1981) pursuant to the agreement of 9 November 1979 between the Belgian State and Fluxys Belgium SA (formerly Distrigas) and the letter of 30 December 1983 from the Ministers for Finance and Economic Affairs.

7.1.2. Other litigation

Ghislenghien

As announced in 2011, Fluxys Belgium has undertaken, in agreement with insurers and other responsible parties, to proceed to the final compensation of private victims of the accident which occurred at Ghislenghien in 2004. Although most of the victims were compensated in 2012, some cases are not yet closed. Fluxys Belgium conducts an evaluation of these cases as they evolve. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2018.

Claim relatif à l’investissement ‘Open Rack Vaporizer’

Un claim pour compensation de travaux complémentaires a été introduit par un fournisseur dans le cadre de l’investissement ‘Open Rack Vaporizer’ réalisé par Fluxys LNG. Cette dernière conteste ce claim et un expert a été désigné afin d’évaluer le dossier. Aucune évaluation fiable ne peut être réalisée à ce stade du dossier. Aucune provision n’a dès lors été comptabilisée au 31-12-2018.

Autres recours

Other claims arising from the operation of our facilities are in progress but their potential impact is immaterial.

Note 7.2. Assets and items held for third parties, in their name, but at the risk and for the benefit of entities included in the consolidation scope

In the ordinary course of business, the Fluxys Belgium group holds gas belonging to its customers at its storage sites in Loenhout, in the pipelines and in the tanks at the LNG terminal in Zeebrugge.

Note 7.3. Guarantees received

Bank securities for the benefit of the group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers. At 31 December 2018, the guarantees received amounted to €85,809 thousand. Expected credit losses on guarantees received are not material for the Fluxys Belgium group.

Note 7.4. Guarantees provided by third parties on behalf of the entity

Rental guarantees in favour of the owners of assets located in Belgium and leased by the group amounted to €15 thousand as at 31-12-2018.

At 31 December 2018, other guarantees amounted to €237 thousand.

Note 7.5. Long-term leases and and other availability agreements

The Fluxys Belgium group has leases lasting more than one year as well as rights of use of sites from third parties on which group facilities are built.

Non-discounted liabilities as at the closing date (in thousands of €)					
	Duration	Up to 1 year	Between 2 and 5 years	Over 5 years	Total
Zeebrugge LNG Terminal site	2019-2031	2,428	9,710	14,892	27,030
Other sites	2019-2059	576	2,306	9,844	12,726
Leased technical facilities	2019-2027	813	3,157	1,405	5,375
Computer hardware	2019-2021	451	207	0	658
Vehicles	2019-2024	1,507	3,127	43	4,677
		5,775	18,507	26,184	50,466

Note 7.6. Commitments with regard to the Interconnector Zeebrugge Terminal (IZT)

The IZT lease contract includes a purchase option for the lessee that can be exercised on 1 October 2023 for an amount of €1,643 thousand.

As part of this transaction, surface rights have been attributed.

Note 7.7. Commitments under terminalling service contracts

The Capacity Subscription Agreements (CSA) entered into with the terminal users of the Zeebrugge LNG terminal provide for 829 slots to be available from 2019 to 2027. In addition, Yamal Trade (a 100% subsidiary of Yamal LNG) and Fluxys LNG have signed a 20-year contract for the transshipment of a maximum of 8 million tonnes of LNG per year at the port of Zeebrugge in Belgium.

Note 7.8. Commitments in relation to loans and to the European Investment Bank (EIB)

The Fluxys Belgium group was granted loans by the European Investment Bank (EIB), for a total amount of € 306 million. They contain contractual financial covenants which were fulfilled by the group as at 31-12-2018. These contractual clauses set out the ratios to be respected, such as 'EBITDA to net financial costs' and 'EBITDA to bonds and other borrowings (see Notes 5.11.1 and 5.11.2)'. Like bonds, these loans also contain a Pari Passu clause.

Note 7.9. Other commitments

Other commitments have been made and received by the Fluxys Belgium group, but their potential impact is immaterial.

Note 8. Related parties

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

The consolidated financial statements include transactions executed 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 SA (admin services, IT and housing services and the management of cash funds and financing), Interconnector (UK) (inspection and repair services), IZT (IZT lease, and facility operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), and Balansys (balancing operator).

Related parties					In thousands of €
			31-12-2018		
	Headquarter	Joint ventures	Associates[3]	Other related parties	Total
I. Assets with related parties	**353,785**	**0**	**419**	**6,180**	**360,384**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**3,902**	**3,902**
2.1. Finance leases	0	0	0	3,902	3,902
2.2. Other non-current receivables	0	0	0	0	0
3. Trade and other receivables	**1,845**	**0**	**419**	**2,260**	**4,524**
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
4. Cash and cash equivalents	**351,940**	**0**	**0**	**0**	**351,940**
5. Other current assets	**0**	**0**	**0**	**18**	**18**
II. Liabilities with related parties	**263,364**	**0**	**272**	**480**	**264,116**
1. Interest-bearing liabilities (current and non-current)	**263,330**	**0**	**0**	**0**	**263,330**
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	263,330	0	0	0	263,330
2. Trade and other payables	**32**	**0**	**272**	**18**	**322**
2.1. Trade payables	0	0	272	18	290
2.2. Other payables	32	0	0	0	32
3. Other current liabilities	**2**	**0**	**0**	**462**	**464**
III. Transactions with related parties					
1. Services rendered and goods delivered	**7,265**	**0**	**180**	**6,205**	**13,650**
2. Services received (-)	**-1,281**	**0**	**-594**	**0**	**-1,875**
3. Net financial income	**-5,428**	**0**	**3**	**0**	**-5,425**
4. Directors' and senior executives' remuneration				**2,111**	**2,111**
of which short-term employee benefits				1,852	1,852
of which post-employment benefits				259	259

3 Associates of Fluxys SA, parent company of the Fluxys Belgium group.

Related parties					In thousands of €
	31-12-2017				
	Headquarter	Joint ventures	Associates[4]	Other related parties	Total
I. Assets with related parties	**669,999**	**0**	**1,040**	**8,091**	**679,130**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**0**	**0**
2.1. Finance leases	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0
3. Trade and other receivables	**150**	**0**	**1,040**	**8,091**	**9,281**
3.1. Clients	150	0	1,040	869	2,059
3.2. Finance leases	0	0	0	7,222	7,222
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**669,849**	**0**	**0**	**0**	**669,849**
5. Other current assets	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**263,882**	**0**	**627**	**27**	**264,536**
1. Interest-bearing liabilities (current and non-current)	**263,330**	**0**	**0**	**0**	**263,330**
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	263,330	0	0	0	263,330
2. Trade and other payables	**364**	**0**	**627**	**16**	**1,007**
2.1. Trade payables	326	0	627	16	969
2.2. Other payables	38	0	0	0	38
3. Other current liabilities	**188**	**0**	**0**	**11**	**199**
III. Transactions with related parties					
1. Services rendered and goods delivered	**2,717**	**0**	**2,228**	**2,503**	**7,448**
2. Services received (-)	**-1,449**	**0**	**0**	**-16**	**-1,465**
3. Net financial income	**-7,688**	**0**	**2**	**0**	**-7,686**
4. Directors' and senior executives' remuneration				**2,031**	**2,031**
of which short-term employee benefits				1,783	1,783
of which post-employment benefits				248	248

4 Associates of Fluxys SA, parent company of the Fluxys Belgium group.

Note 9. Directors’ and senior executives’ remuneration

Pursuant to Article 11 of the Articles of Association, the Board of Directors of Fluxys Belgium SA comprises at least three and no more than 24 non-executive directors. Furthermore, the 'special share' grants the Minister the right to appoint two representatives of the federal government in the Board of Directors. Currently, one representative of the federal government attends the meetings of the Board of Directors and the Strategic Committee.

The ordinary general meeting has decided to set the remuneration of the directors and government representatives to a maximum of €360,000 (value 01-01-2007), to be allocated by the Board of Directors amongst its members, and to grant an attendance fee of €250 per meeting of the Board of Directors and the committees.

Pursuant to Article 17.5 of the Articles of Association of Fluxys Belgium, the Board of Directors is authorised to pay a special remuneration to directors who carry out special duties for the entity. The Board also has the right to reimburse travel expenses and costs incurred by the members of the Board of Directors.

The Fluxys Belgium group has not granted any loans to directors; in addition, the directors have not entered into unusual transactions with the group. No shares or share options have been granted to the directors.

For further information, the reader should refer to the Corporate Governance Declaration in the directors' report and to Note 8 'Related parties' for the breakdown of remuneration by category.

Note 10. Events after the balance sheet date

No events after the balance sheet date had a material impact on the financial statements of the group.

Statutory accounts of Fluxys Belgium SA according to Belgian GAAP

Given the significance of the equity as well as the revenue of the parent entity in the consolidated financial statements, the publication of the detailed version of the annual accounts and the notes to the accounts in this brochure would, in the majority of cases, be redundant given the explanations found in the consolidated accounts.

Pursuant to Article 105 of the Companies Code, it has therefore been decided to present an abreviated version of the annual accounts of Fluxys Belgium SA.

The statutory auditor issued an unqualified audit opinion on the annual accounts of Fluxys Belgium SA.

The annual accounts of Fluxys Belgium SA and the auditor's report have been filed with the National Bank of Belgium. They are available on the Fluxys Belgium website (www.fluxys.com/belgium) and can also be obtained free of charge upon request at the following address:

Fluxys Belgium SA
Communication Department
Avenue des Arts 31, 1040 Brussels, Belgium

Balance sheet

Assets		In thousands of €
	31-12-2018	**31-12-2017**
Formation expenses	**1,898**	**2,143**
Fixed assets	**1,798,675**	**1,912,714**
Intangible assets	38,462	45,121
Property, plant and equipment	1,675,268	1,782,645
Financial fixed assets	84,945	84,948
Current assets	**428,872**	**707,110**
Amounts receivable more than one year	144	0
Stock and contracts in progress	27,675	25,657
Amounts receivable within one year	93,371	453,463
Cash investments	0	0
Cash at bank and in hand	296,546	216,710
Deferred charges and accrued income	11,136	11,280
Total	**2,229,445**	**2,621,967**

Equity and liabilities		In thousands of €
	31-12-2018	**31-12-2017**
Equity	**587,212**	**632,258**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	403,835	444,539
Reserves	21,280	31,292
Accumulated profits (losses)	53,026	43,331
Capital subsidies	48,761	52,786
Provisions and deferred taxes	**20,936**	**23,168**
Provisions for liabilities and charges	3,334	3,830
Deferred taxes	17,602	19,338
Amounts payable	**1,621,297**	**1,966,541**
Amounts payable after more than one year	1,001,299	1,021,030
Amounts payable within one year	199,113	544,875
Accrued charges and deferred income	420,885	400,636
Total	**2,229,445**	**2,621,967**

Income statement

Income statement	In thousands of €	
	31-12-2018	**31-12-2017**
Operating income	545,309	516,944
Operating charges	463,096	424,341
Operating profit	**82,213**	**92,603**
Financial income	29,876	27,675
Finance costs	35,446	41,158
Net financial income	**-5,570**	**-13,483**
Earnings before taxes	**76,643**	**79,120**
Transfer from deferred taxes	**1,736**	**2,150**
Income tax expenses	**-30,867**	**-36,568**
Net profit/loss for the period	**47,512**	**44,702**
Transfer from untaxed reserves	**107**	**100**
Profit for the period available for appropriation	**47,619**	**44,802**

Appropriation account

Appropriation account	In thousands of €	
	31-12-2018	**31-12-2017**
Profit to be appropriated	**90,950**	**78,366**
Profit for the period available for appropriation	47,619	44,802
Profit carried forward from the previous period	43,331	33,564
Transfer from equity	**50,608**	**51,389**
From reserves	50,608	51,389
Transfer to equity	**0**	**0**
To the legal reserve	0	0
To the other reserves	0	0
Result to be carried forward	**53,026**	**43,331**
Profit to be carried forward	53,026	43,331
Profit to be distributed	**88,532**	**86,424**
Dividends	88,532	86,424
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, will be:	€ 0.882	0.861€

In 2018, no interim dividend was paid. The gross dividend per share to be paid out for the financial year 2018 is €1.26 per share (€0.882 net). It will be payable from 23 May 2019.

Capital at the end of the period

Capital at the end of the period				
				31-12-2018
Subscribed capital (in thousands of €)				
At the end of the previous period				60,272
At the end of the period				60,272
Capital represented by				
Registered shares				62,242,183
Dematerialised shares				8,021,318
Shareholder structure				
Declarant	Date of declaration	Share category	%	%
Fluxys	13-12-2017	B/D	90.00	90.00

The Belgian State holds one specific share.

Income taxes

Income taxes	In thousands of €
	31-12-2018
Breakdown of heading 670/3*	
Income taxes on the result of the current period	**30,859**
Taxes and withholding taxes due or paid	31,000
Excess of income tax prepayments	-141
Estimated additional taxes	0
Income taxes on previous periods	**8**
Additional taxes due or paid	8
Additional taxes (estimated or provided for)	0
Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	**76,643**
Permanent differences:	**27,682**
Definitively taxed income	-25,584
Non-deductible expenses and hidden reserves	6,211
Notional interest	0
Taxable reserves	45,212
Depreciation of financial fixed assets	0
Transfer from untaxed reserves	107
Transfer from deferred taxes	1,736
Total	**104,325**

Workforce

ONSS N°: 030012851238

Joint Commission N°: 326

Headcount

A. Employees recorded in the personnel register

1a. During the current period	Total	Men	Women
Average number of employees			
Full-time	741.6	644.8	96.8
Part-time	119.6	55.3	64.3
Total in full-time equivalents (FTE)*	831.5	686.7	144.8
Numbers of hours actually worked			
Full-time	1,086,359	952,124	134,235
Part-time	142,280	65,390	76,890
Total	1,228,639	1,017,514	211,125
Employee expenses			
Full-time	93,971,899	82,809,713	11,162,186
Part-time	12,455,534	7,344,966	5,110,568
Total	106,427,433	90,154,679	16,272,754
Advantages in addition to wages	1,540,713	1,305,138	235,575

1b. During the previous period	Total	Men	Women
Average number of employees (FTE)*	847.3	698.9	148.4
Numbers of hours actually worked	1,254,427	1,040,371	214,056
Employee expenses	102,329,166	87,389,108	14,940,058
Advantages in addition to wages	1,869,798	1,596,807	272,991

** full-time equivalents*

2. At the closing of the period

		Full-time	Part-time	Total full-time equivalents
a.	Employees recorded in the personnel register	738	117	826.1
b.	By nature of the employment contract			
	Contract for an indefinite period	713	117	801.1
	Contract for a definite period	25	0	25.0
	Contract for execution of a specifically assigned work	0	0	0
	Replacement contract	0	0	0
c.	According to gender and study level			
	Men	643	56	685.5
	Primary education	0	0	0
	Secondary education	283	29	305.3
	Higher non-university education	163	11	171.8
	University education	197	16	208.4
	Women	95	61	140.6
	Primary education	0	0	0
	Secondary education	20	19	33.2
	Higher non-university education	38	31	62.0
	University education	37	11	45.4
d.	By professional category			
	Manager staff	241	25	259.2
	Employees	497	92	566.9
	Workers	0	0	0
	Others	0	0	0

** équivalents temps plein*

B. Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Persons placed at the enterprise's disposal
Average number of persons employed	3.3	0
Numbers of hours actually worked	6,428	0
Costs for the enterprise	354,117	0

Tableau des mouvements du personnel au cours de l'exercice

	Full-time	Part-time	Total FTE *
Entries			
a. Number of employees recorded in the personnel register in this financial year	47	2	47,9
b. By nature of the employment contract			
Contract for an indefinite period	30	2	30,9
Contract for a definite period	17	0	17,0
Contract for execution of a specifically assigned work	0	0	0
Replacement contract			
Departures			
a. Number of employees whose date of leaving is recorded in the personnel register in this financial year	55	7	60.2
b. By nature of the employment contract			
Contract for an indefinite period	40	7	45.2
Contract for a definite period	15	0	15.0
Contract for execution of a specifically assigned work	0	0	0
Replacement contract	0	0	0
c. By reason of termination of contract			
Retirement	12	2	13.6
Early retirement	0	0	0
Dismissal	7	1	7.8
Other reason	36	4	38.8
Of which: the number of persons who continue to render services to the company at least half-time on a self-employed basis	0	0	0.0

** full-time equivalents*

Information on training provided to employees during the period

	Men	Women
Initiatives of formal continued professional development at the expense of the employer		
Number of employees involved	660	154
Numbers of actual training hours	24,706	3,599
Net costs for the enterprise	3,493,346	502,958
Of which gross costs directly linked to training	3,493,346	502,958
Of which fees paid and payments to collective funds	0	0
Of which subsidies and other financial advantages received (to deduct)	0	0
Total of initiatives of less formal or informal professional training at the expense of the employer		
Number of employees involved	416	101
Numbers of actual training hours	8,151	785
Net costs for the enterprise	703,434	64,245
Total of initiatives of initial professional training at the expense of the employer		
Number of employees involved	0	0
Numbers of actual training hours	0	0
Net costs for the enterprise	0	0

10. STATUTORY AUDITOR'S REPORT AND DECLARATION BY RESPONSIBLE PERSONS

Statutory auditor's report to the General Meeting of Fluxys Belgium NV/SA on the financial year ending 31 December 2018 (consolidated financial statements)

In the context of the statutory audit of the consolidated financial statements of Fluxys Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 10 May 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Fluxys Belgium NV/SA for 24 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 2 914 902 (000) EUR and the consolidated income statement shows a profit for the year then ended of 54 469 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit adressed the key audit matters
1. Compliance with the regulatory framework	
• As explained in Chapter 7 of the annual report, the group is operating in a heavily regulated environment. In that context, the group's results are mainly driven by the evolution in the risk free rate (OLO 10 years), its Regulated Asset Base (RAB) and its financing structure (equity versus debt). • The applicable regulatory framework determines what can be retained as fair margin and hence the revenue that can be recognized on an annual basis by the group. This allowed revenue may differ from the billed revenue. These differences contributed to a net increase of the year of the regulatory liabilities amounting to 41.8 million EUR for the year ending at 31 December 2018. • Taking into account the complexity of the applicable regulatory framework, a significant part of our audit time is spent on understanding and reviewing the regulatory calculations prepared by management and reconciling these to the underlying accounting records and the decisions from the regulator (CREG). In addition, even though the tariffs are in principle fixed for the regulatory period 2016-2019, it can occur that changes in the way the regulatory assets or liabilities are settled are agreed upon with the	• We tested the design and implementation of the key controls relevant for the calculation of the regulatory result. • We obtained a deep understanding of the regulatory framework and evaluated the accounting impact of all relevant correspondence with the regulator, including the decisions of the CREG on the regulatory accounts of 2017. • We assessed the accounting impact of the decisions of the Board of Directors which discusses amongst others all relevant regulatory matters and discussed these with management where appropriate. • We performed a critical evaluation and a detailed verification of the calculations of the regulatory result and the regulatory liabilities, and reconciled these to the underlying accounting records.

Key audit matters	How our audit adressed the key audit matters
regulator (CREG). There is a risk that inaccuracies are made in these complex calculations or not all of the changes in the regulatory framework are timely or accurately reflected in the financial statements. • Finally, the calculation of the regulatory result may require management to interpret the regulatory framework, in areas such as the reasonableness of expenses or the regulatory treatment of certain specific investments in property, plant and equipment. Such interpretation may be different from the interpretation by the regulator (CREG), resulting in corrections to be recognized in the subsequent period **Reference to disclosures** • The regulatory liabilities are reported as part of the interest-bearing debt as detailed in Note 5.11 of the consolidated annual report. • A summary of the regulatory framework and the methodology for the fair margin calculation is included in Chapter 7 of the annual report.	• This verification was complemented by obtaining an understanding of the major variances between the actual regulatory result and the budget that was the basis for the tariff proposal approved by the regulator in order to critically evaluate the regulatory calculation. • We critically evaluated the judgements and interpretations made by management on the application of the regulatory framework. • We assessed if appropriate disclosures on the regulatory effects and framework were made in the annual report, including presentation of the regulatory effects in the segment reporting introduced as a result of IFRS 15 - Revenue from contracts with customers in Note 4 of the consolidated financial statements.

Key audit matters	How our audit adressed the key audit matters
2. Determination of the useful lifetime of property, plant and equipment	
• Property, plant and equipment form 75% of the consolidated balance sheet of the group, mainly consisting of the Belgian gas transmission grid, storage and LNG-terminalling installations. The property, plant and equipment forms the basis for the Regulated Asset Base (RAB). • The tariffs approved by the regulator (CREG) are mainly based on the operating expenses including depreciations incurred by the group, increased with a fair margin. One of the critical factors in the depreciations is the economic useful lifetime allowed by the regulator (CREG). • Changes in the gas market (e.g. expiry of long term contracts or changes in the energy mix) or in the regulatory framework may require changes in the assessment of this economic useful lifetime. Such changes may not be timely or accurately accounted for, potentially resulting in an inconsistency between the economic lifetime of the property, plant and equipment and the depreciation period agreed with the regulator (CREG).	• As property, plant and equipment is a very significant part of the balance sheet, we obtained an understanding of the key internal controls and process flows supporting the acquisition, recognition and depreciation. • We performed detailed testing on the changes in property, plant and equipment during the year (tracing additions and disposals to underlying supporting documents such as invoices, recalculating depreciation charges) and reconciled the carrying amount of property, plant and equipment to the Regulated Asset Base. • We evaluated and assessed the market situation, correspondence with the regulator and reading of minutes of the Board of Directors to evaluate whether any changes had occurred during the year in the useful lifetime of an asset that should be accounted for.

Key audit matters	How our audit adressed the key audit matters
Reference to disclosures • The useful lifetimes of the property, plant and equipment are summarized in the accounting policies (Note 2.8). • An overview of the assets and explanation of significant movements is included in Note 5.1.	

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor
As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements
In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the directors' report on the consolidated financial statements. This non-financial information has been established by the company in accordance with the Global Reporting Initiative (GRI) framework. In accordance with article 144, § 1, 6° of the Companies Code we do not express any opinion on the question whether this non-financial information has been established in accordance with this framework.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Antwerp, 5 April 2019

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Jurgen Kesselaers

Declaration by responsible persons

Declaration regarding the financial year ending 31 December 2018

We hereby attest that to our knowledge:

- Fluxys Belgium's financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit or loss as well as those of the companies included in the consolidation scope;
- the annual report gives a true and fair view of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 27 March 2019

Paul Tummers
Member of the Executive Board
Chief Financial Officer

Pascal De Buck
Chairman of the Executive
Chief Executive Officer

11. GLOSSARY

Relevance of the financial ratios published (see section 5 of the annual report, pages 48-51)

The Fluxys Belgium group continually evaluates its financial strength, in particular using the following financial ratios:

- Solvency: The ratio between net financial debt and the sum of equity and net financial debt indicates the strength of the Fluxys Belgium group's financial structure.
- Interest coverage: The ratio between FFO before interest expenses and interest expenses represents the group's capacity to cover its interest expenses via its operating activities.
- Net financial debt/Extended RAB: This ratio expresses the share of the extended RAB financed by external debt.
- FFO/Net financial debt: This ratio is used to determine the group's capacity to pay off its debts based on cash generated by its operating activities.
- RCF/Net financial debt: This ratio is used to determine the group's capacity to pay off its debts based on cash generated by its operating activities after payment of dividends.

Definition of indicators

Other investments in property, plant and equipment outside RAB
The average of the cumulative investments made in expanding the Zeebrugge LNG terminal and non-regulated activities

Net financing expenses
Interest expenses net of finance income on leases, interest income on investments and cash equivalents and other interest income, excluding interest on regulatory assets.

Interest expenses
Interest costs on debt net of interest on regulatory liabilities.

EBIT
Earnings Before Interests and Taxes or profit/loss from continuing operations, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

EBITDA
Earnings Before Interests, Taxes, Depreciation and Amortization or profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

Net financial debt
Interest-bearing liabilities 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.

FFO
Funds from Operations or profit/loss from continuing operations, excluding changes in regulatory assets and liabilities, before depreciation, amortization, impairment and provisions, to which dividends received from associates and joint ventures and unconsolidated entities are added, and from which net financial expenses and current tax are deducted.

RAB
Average Regulated Asset Base or average value of the regulated asset base for the year.

Extended RAB
Total RAB and other investments in plant, property and equipment outside RAB.

RCF
Retained Cash-Flow or FFO net of dividends paid.

WACC
Weighted Average Cost of Capital

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
Profit/loss from continuing operations	120,601	129,312	4
Net depreciation and amortisation	155,565	160,081	4.2.5
Net provisions	1,816	-5,399	4.2.6
Impairment losses	400	-831	4.2
Profit/loss from investments in associates and joint ventures	0	0	4
Dividends from unconsolidated entities	0	8	4.3
EBITDA in thousands of €	**278,382**	**283,171**	

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
Profit/loss from continuing operations	120,601	129,312	4
Profit/loss from investments in associates and joint ventures	0	0	4
Dividends from unconsolidated entities	0	8	4.3
EBIT in thousands of €	**120,601**	**129,320**	

Fluxys Belgium consolidated balance sheet (in thousands of €)	31/12/2018	31/12/2017	Notes
Investments in property, plant and equipment over the period	78,139	83,354	5.1
Total property, plant and equipment	2,181,771	2,250,659	5.1
Equity	687,156	713,795	
Net financial debt	881,932	950,528	
Total consolidated balance sheet	2,914,902	3,290,873	

Fluxys Belgium consolidated balance sheet (in thousands of €)	31/12/2018	31/12/2017	Notes
Non-current interest-bearing liabilities	1,723,831	1,752,654	5.11/6
Current interest-bearing liabilities	158,004	467,176	5.11/6
Other financing (current)	-30,097	-20,361	5.11.3/6
Other financing (non-current)	-95,343	-157,538	5.11.3/6
Other debt (current)	-95,367	-53,985	5.11.4/6
Other debt (non-current)	-390,212	-337,304	5.11.4/6
Time deposits (100%)	0	-350,000	5.8/6
Time deposits (75%)	-39,959	-48,865	5.8/6
Cash and cash equivalents (75%)	-292,190	-240,430	5.8/6
Other financial assets (75%)	-56,735	-60,819	5.3.1/6
Net financial debt (in thousands of €)	**881,932**	**950,528**	

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
Financial income from leases	169	130	4.3.1
Interest income on marketable securities, cash and cash equivalents at fair value through profit and loss	995	1,356	4.3.2
Other interest	72	144	4.3.2
Debt interest	-41,587	-48,103	4.4.1
Interest on regulatory assets and liabilities	674	643	
Net financing expenses (in thousands of €)	**-39,677**	**-45,830**	

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
Debt interest	-41,587	-48,103	4.4.1
Interest on regulatory assets and liabilities	674	643	
Interest costs in thousands of €	**-40,913**	**-47,460**	

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
Profit/loss from continuing operations	120,601	129,312	4
Operating revenue - Movements in regulatory assets and liabilities	52,251	66,010	
Net depreciation and amortisation	155,565	160,081	4.2.5
Net provisions	1,816	-5,399	4.2.6
Impairment losses	400	-831	4.2
Revenue from associates and joint ventures	0	0	4
Dividends from unconsolidated entities	0	8	4.3
Net financing expenses	-39,677	-45,830	
Current tax	-41,706	-48,447	4.5.1
FFO (in thousands of €)	**249,250**	**254,904**	

Fluxys Belgium consolidated income statement (in thousands of €)	31/12/2018	31/12/2017	Notes
FFO	249,250	254,904	
Dividends paid	-86,424	-84,316	
RCF	**162,826**	**170,588**	

Generation of welfare	31/12/2018	Notes
Dividends paid	86,424	D. Consolidated statement of changes in equity
Financial income	-1,322	4.3
Finance costs	42,189	4.4
Consumables, merchandise and supplies used	4,142	4.2.1
Miscellaneous goods and services	120,729	4.2.2
Employee expenses	107,852	4.2.3
Taxes and witholding taxes due or paid	44,728	4.5.1
	404,742	

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Fluxys Belgium is a member of the European Network of Transmission System Operators for Gas (ENTSOG), Gas Infrastructure Europe (GIE), the Belgian Welding Institute, Biogas-E, Buisleiding Industrie Gilde (BIG), Cedigaz, the Centre Français de l'Anticorrosion (Cefracor), the European Committee for Standardisation (CEN), the Centre on Regulation in Europe (Cerre), COGEN Vlaanderen, EASEE-gas, the European Pipeline Research Group, the Belgian federation of pipeline transmission companies (Fetrapi), Gas.be, Gas for Climate, the European Gas Research Group (GERG), Hydrogen Europe, the International Group of Liquefied Natural Gas Importers (GIIGNL), the Green Gas Initiative, the International Gas Union (IGU), the International Organisation for Standardisation (ISO), Marcogaz, NGVA Europe, the Pipeline Operators Forum, the Society of International Gas Tanker and Terminal Operators (SIGGTO), Synergrid, Valorisation de la Biomasse, and WaterstofNet.

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GRI Standards applied
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GRI 206: Anti-competitive Behaviour 2016
GRI 302: Energy 2016
GRI 305: Emissions 2016
GRI 401: Employment 2016
GRI 403: Occupational Health and Safety 2016
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GRI 405: Diversity and Equal Opportunity 2016
GRI 412: Human Rights Assessment 2016
GRI 413: Local Communities 2016
GRI 415: Public Policy 2016

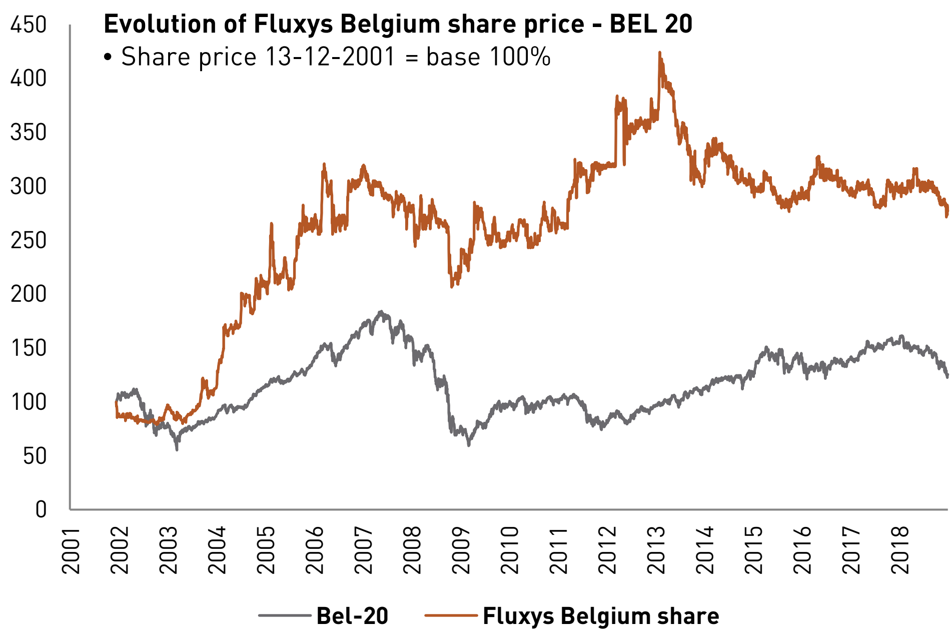
13. SHAREHOLDER GUIDE

Shareholder calendar

14 May 2019	General Meeting
23 May 2019	Payment of dividend
25 September 2019	Press release from the Board of Directors on the half-yearly results in accordance with IFRS

Payment of dividend

The gross dividend per share amounts to €1.26 for the 2018 financial year (€0.882 net), compared to €1.23 gross (€0.861 net) for the previous financial year. The recurring dividend is primarily determined on the basis of equity invested, the financial structure, and interest rates (OLO). In 2018, the average OLO interest rate was 0.81%, up from 0.74% in 2017.



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