sncb

Annual report 2018

Content

1. SNCB Management Report drawn up in accordance with Articles 95 and 96 of the Company Code

SNCB Management Report drawn up in accordance with Articles 95 and 96 of the Company Code

The Board of Directors prepares its management report in accordance with the provisions of Articles 95 and 96 of the Companies Code.

1. Changes in activities and results

a) *Accounting standards*

Since the 2011 financial year, SNCB accounts have been kept in accordance with the IFRS accounting standards, pursuant to Article 89 of the management contract concluded with the State, but also so as to meet the expectations of investors.

However, the company's annual corporate accounts are prepared according to two accounting standards (Belgian B-GAAP and IFRS standards). The two standards result in different figures, since the accounting principles differ depending on the standards applied. Net income according to IFRS was -€2.9 million in 2018, but must be adjusted as follows in order to correspond to the net income according to B-GAAP (€30.7 million):

- financial provision for derivatives recorded in B-GAAP (-€2.0 million);
- changes in fair value concerning other financial instruments not accounted for in B-GAAP (-€1.7 million);
- capital gains on revalued tangible assets cancelled following sales in B-GAAP (+€0.8 million);
- capital gains cancelled in B-GAAP following the merger by absorption of the Eurostation subsidiary (+€34.6 million);
- expected credit losses recorded in advance upon recognition of an amount receivable under IFRS (application of the new IFRS 9 standard) (-€0.3 million);
- deferred tax assets under IFRS (+€7.8 million);
- restructuring of financing operations recorded in one go in a previous IFRS result and staggered in B-GAAP (-€5.6 million).

Since this annual report is attached to the accounts filed at the National Bank of Belgium, which were prepared in accordance with the Belgian standards, the figures quoted were therefore determined using these accounting principles. These accounts are also the subject of the certification report prepared by the Board of Auditors.

b) *Merger by absorption of the Eurostation subsidiary as of 30 June 2018*

The figures presented in this report are those of SNCB after the merger by absorption of the subsidiary Eurostation with accounting and tax effects as of 1 July 2018. They include a capital gain following the merger as of 30 June 2018 (€38.5 million) and the result of the absorbed activities from 1 July 2018 (-€3.7 million).

Income statement

Statement of comprehensive income (in M €) - B-GAAP	2018	2017	Delta
Sales and services	**2.578,1**	**2.478,6**	**99,5**
Turnover	2.338,7	2.277,3	61,4
Stocks of work in progress, finished goods and orders in progress	12,1	-2,5	14,7
Internally generated fixed assets	141,3	156,7	-15,3
Other operating income	41,0	31,2	9,9
Non recurring operating income	44,8	15,9	28,9
Costs of sales and services	**-2.480,1**	**-2.443,2**	**-36,9**
Supply and goods	-108,8	-96,9	-11,9
Miscellaneous goods and services	-2.341,6	-2.287,8	-53,8
Remunerations, social charges and pensions	0,0	0,0	0,0
Other operating costs	-9,5	-6,5	-3,0
Non recurring operating costs	-20,2	-52,0	31,8
EBITDA	**98,0**	**35,4**	**62,6**
Depreciation	-405,4	-383,1	-22,2
Impairment	-13,1	-13,6	0,5
Provisions	-1,6	25,8	-27,4
EBIT	**-322,1**	**-335,5**	**13,4**
Financial result	352,8	394,1	-41,4
EBT	**30,7**	**58,6**	**-27,9**
Taxes	0,0	0,0	0,0
Net result	**30,7**	**58,6**	**-28,0**

Operating income

Operating income before depreciation, amortisation and provisions includes both recurring and non-recurring costs and income:

	2018	2017	Delta
Operating result Recurring	*73,4*	*71,5*	*1,8*
Operating result non-recurring	*24,6*	*-36,1*	*60,7*
EBITDA	**98,0**	**35,4**	**62,6**

The increase in the **recurring** operating income (+€1.8 million) is primarily the result of:

- the increase in revenue (including orders in progress), of €76.1 million, primarily €42.3 million in revenue for domestic traffic and +€27.4 million in operating subsidies;

- the increase in services and miscellaneous goods by €53.8 million, including +€29.2 million following the increase in the infrastructure fee; +€6.5 million in ICT services (including consultancy); +€4.2 million in maintenance of buildings, land and rolling stock and a €4.5 million increase in staff costs;
- the decrease in capitalised production of €15.3 million;
- the increase in supplies and goods of €11.9 million.

The **non-recurring** operating income is €24.6 million and is primarily made up of:

- +€38.5 million in capital gains from the Eurostation merger. As of 30 June 2018, Eurostation's assets and liabilities (after elimination of intra-group accounts and certain restatements for alignment with SNCB rules) were included in SNCB's accounts (+€152.7 million) in return for the derecognition of the holding in Eurostation (-€114.2 million) and the revaluation gain of €34.6 million on this holding was cancelled;
- +€3.6 million following the application of the 2018 amendment to the "Samenwerkingsafspraak" with the NS concerning the interventions of the latter in the operational losses of the ICZ Brussels-Amsterdam;
- +€1.9 million in capital gains realised by SNCB on the sale of assets to Ghent Fabiolalaan (from Eurostation at the time of the merger);
- +€1.7 million following reversals of provisions for consolidation;
- +€1.3 million in surplus fixed assets, including +€1.2 million in increased surface areas for certain plots;
- -€8.9 million of non-recurring write-downs on fixed assets;
- -€11.1 million of non-recurring depreciation on fixed assets.

In 2017, the non-recurring operating income of -€36.1 million included -€19.0 million in write-downs on intangible fixed assets, including (partially) the termination of the DICE and NDS projects, -€24.2 million in non-recurring write-downs on fixed assets and +€8.5 million for the recovery plan.

Other important elements of the result

After consideration of depreciation (-€405.4 million), write-downs (-€13.1 million) and provisions (-€1.6 million), operating income (EBIT) stood at -€322.1 million in 2018.

The 2018 financial results were positive to the amount of €352.8 million. These results were mainly comprised of:

- net depreciation of investment grants (€380.7 million);
- depreciation of NPV previously collected during alternative financing operations (€8.3 million);
- the reversal of the financial provision for derivatives related to financial debt (€1.0 million);
- net cost of debt service borne by SNCB (-€41.8 million);
- shareholding dividends (€2.8 million).

The net profit for the financial year was positive at €30.7 million.

Balance sheet

Balance sheet (in M €)	2018	2017	Δ	Δ %
Fixed assets	**8.312,8**	**8.402,3**	**-89,5**	**-1,1%**
Intangible fixed assets	215,7	216,7	-1,0	-0,5%
Tangible fixed assets	7.676,6	7.624,0	52,6	0,7%
Financial fixed assets	420,6	561,6	-141,0	-25,1%
Current assets	**3.423,2**	**3.551,7**	**-128,5**	**-3,6%**
Amounts receivable after one year	1.134,9	1.128,9	6,0	0,5%
Stocks and contracts in progress	330,6	313,3	17,3	5,5%
Amounts receivable within one year	1.196,1	1.218,7	-22,5	-1,8%
Cash investments	441,5	520,5	-79,0	-15,2%
Cash at bank and in hand	167,0	206,5	-39,5	-19,1%
Defferred charges and accrued income	153,1	163,8	-10,7	-6,5%
Assets	**11.736,1**	**11.954,0**	**-217,9**	**-1,8%**
Capital and reserves	**6.793,9**	**6.536,5**	**257,4**	**3,9%**
Capital	249,0	249,0	0,0	0,0%
Revaluation surplus	104,8	140,2	-35,4	-25,2%
Carried forward losses	-532,0	-562,7	30,7	-5,5%
Investment grants	6.972,1	6.710,0	262,1	3,9%
Provisions and deferred taxes	**690,1**	**681,7**	**8,4**	**1,2%**
Provisions	690,1	681,7	8,4	1,2%
Amounts payable	**4.252,1**	**4.735,8**	**-483,7**	**-10,2%**
Amounts payable after one year	2.939,1	2.962,6	-23,4	-0,8%
Amounts payable within one year	930,3	1.405,7	-475,4	-33,8%
Defferred income and accrued charges	382,6	367,5	15,1	4,1%
Liabilities	**11.736,1**	**11.954,0**	**-217,9**	**-1,8%**

SNCB's balance sheet total as of 31 December 2018 amounted to €11,736.1 million, a decrease of €217.9 million compared to 31 December 2017 (€11,954.0 million).

The balance sheet structure is still characterised by a significant proportion of fixed assets (€8,312.8 million), mainly tangible fixed assets (€7,676.6 million)

Tangible and intangible fixed assets amounted to €7,892.2 million as of 31 December 2018, an increase of €51.6 million compared with 31 December 2017, mainly as a result of investments made in 2018 (€426.9 million) and the merger with Eurostation as of 30 June 2018 (€61.1 million, *including France Bara-Fonsny (land and buildings) for +€100.6 million, assets in Ghent Fabiolalaan for +€27.4 million and Mechelen Stationsomgeving for +€11.0 million, partially offset by the elimination of the down payments made by SNCB to Eurostation for -€101.7 million*), minus depreciation (€425.4 million).

New investments include €165.9 million for the acquisition and renovation of rolling stock, €110.7 million for passenger reception, €89.0 million for investments in workshops and €50.7 million for IT.

Fixed assets were 87.44% financed by investment grants from the Federal government, 0.90% by other public authorities and 11.66% by loans.

Following the merger with Eurostation as of 30 June 2018, the unused subsidies relating to the advance payments made by SNCB to Eurostation of €100.7 million are considered as an "ex-Eurostation advance reserve".

Financial fixed assets amounted to €420.6 million as of 31 December 2018 and decreased by €141.0 million compared to 31 December 2017 (€561.6 million), primarily -€148.7 million following the merger with Eurostation as of 30 June 2018 and +€3.0 million following the integration into SNCB of the ex-Eurostation holdings in De Leeuwe II, SLP, Hasselt Stationsomgeving, K. Eur Development and SLP.

The remaining assets consist of current assets (€3,423.2 million) which include €1,134.9 million of receivables falling due in more than one year, €1,196.1 million of receivables falling due within one year and €608.5 million in cash investments and cash at bank and in hand.

Receivables included €1,451.7 million of receivables from the State under the assumption of debt as of 1 January 2005 (Back to Back), receivables relating to operating subsidies and investment grants and receivables from the State and Regions under specific agreements for financing investments and the management contract and €313.9 million of guarantees within the framework of CSA ("Credit Support Annex" relating to financial hedging transactions).

Liabilities mainly consisted of €6,793.9 million of equity, €690.1 million of provisions for risks and charges, €2,939.1 million of debts falling due in more than one year and €930.3 million of debts falling due within one year.

The decrease in revaluation gains of €35.4 million is mainly due to the cancellation, following the merger with Eurostation as of 30 June 2018, of the revaluation gain of €34.6 million on the holding in Eurostation.

The decrease in debts falling due within the year of €475.4 million is mainly due to -€350 million in commercial paper repayments, -€101.2 million following the merger with Eurostation as of 30 June 2018, as a result of the elimination of the debt on account with Eurostation (intra-group current account); -€59.5 million related to the RER fund and -€16.7 million in payments made by third parties under the CSA.

Changes in debt

SNCB's **net financial debt** is defined as:

Debt contracted with financial institutions (debt recorded in the accounts);

\+ finance lease liabilities on the liabilities side of the balance sheet;

\+ liquidity loans (cash pooling) and interest-bearing debts regarding subsidiaries and related companies;

– cash investments intended for partial repayment of the nominal amount of the debt contracted with financial institutions;

– ‘back-to-back’ transactions concluded with the State under the assumption of debt on 1 January 2005 (RD of 30 December 2014);

\- cash advances (cash pooling) and interest-bearing receivables regarding subsidiaries and companies;

– liquid assets and cash investments with financial institutions that are not managed on behalf of third parties (RER Funds, etc.).

In view of the Royal Decree of 25 December 2016 and the progress in drafting the new management contract, the definition of economic debt was changed in 2016. As such, SNCB's **economic debt** is defined as:

Net financial debt;
+ the balance of regional co-financing;
+ the balance of unused capital subsidies received;
+ the balance of receivables and commercial debts;
+ the balance of guarantees paid and received in relation to CSA agreements;
+ net receivables relating to operating subsidies.

Net financial debt stood at €2,255.9 million as of 31 December 2018, which is a reduction of €396.2 million over one year.

However, economic debt amounted to €2,376.2 million as of 31 December 2018 compared with €2,483.1 million as of 31 December 2017, which is a fall of €106.9 million.

In accordance with SNCB's financial policy, approved by the Board of Directors on 28 September 2018, the net long-term debt should be at least 75% and maximum 90% at fixed rate and at least 10% and maximum 25% at variable rate. The percentages of fixed and variable rate debt are 83.05% and 16.95% respectively.

Information on holdings

Pursuant to the Law of 26 January 2018, an exhaustive list of all the companies in which SNCB holds a direct or indirect participating interest, together with the holding percentage is given below:

Name	Share of voting rights in % at
A+ Logistics	100,00
B-Parking	100,00
De Leewe II	100,00
Publifer	100,00
Train World	100,00
YPTO	100,00
Railtour	95,44
Eurogare	75,00
BeNe Rail International	50,00
Hasselt stationsomgeving	50,00
K. EUR Development	50,00
Schelde-Landschapspark (SLP)	50,00
HR Rail	49,00
THI Factory	40,00
THV EGT	33,33
Lineas Group	31,12
Thalys International	29,00
Terminal Athus	25,42
Belgian Mobility Card	25,00
Optimobil Belgium	24,01
ICRRL	14,99
Railteam	10,00
Transurb	10,00
Eurofima Joint-Stock Cie (droit suisse)	9,80
Hit Rail	8,00
Eurostar Intern. Ltd	5,00
THV Hassalink.be	5,00
BC Clearing	4,76
Eurail GIE	2,32

2. Significant events after the balance sheet date

We are not aware of any material events that occurred between the date on which the accounts were closed and the reporting date.

3. Circumstances potentially having a marked influence on the company's development

Apart from the circumstances mentioned below under risks related to the use of financial instruments, it should be noted that, as yet, no new management contract has been signed with the government.

The preparatory work to draw up a new management contract between SNCB and the government is ongoing. As well as SNCB's obligations, the management contract will also lay down the contribution that SNCB will receive for its public service missions with respect to investments and operating funds, together with its offering and commercial and pricing policy.

In the meantime, the 2008-2012 management contract has been extended and provisional rules for management contracts have been set by the Royal Decree of 3 February 2019. This Royal Decree provisionally sets the contribution that SNCB will receive for the 2016-2020 period for its public service missions in terms of investments and operating funds. Furthermore, subsidies were granted to SNCB by this Royal Decree for the 2016-2020 period, to cover the cost of specific projects pertaining to the fight against terrorism and radicalism.

In addition, SNCB will also receive part of the "virtuous billion" from the State, which will be used to finalise the RER projects as soon as the RER Fund is exhausted, and to make strategic investments in the Regions. These investments are the subject of the 2018-2031 Multi-Annual Strategic Investment Plan.

4. Research and development activities

There were no significant activities in the field of research and development during the 2018 financial year.

5. Branches

SNCB does not have any branches.

6. Application of continuity rules

The financial statements have been prepared based on the continuation of the main activities of SNCB. SNCB can call upon a Belgian government guarantee of up to €1,138 million (SNCB has not called upon this government guarantee and currently has no intention of invoking it).

On 21 November 2017, Moody's confirmed SNCB's long-term rating as A1, with a 'stable' outlook and its short-term rating as P-1. Standard & Poor's confirmed the long-term rating as A with a 'stable' outlook and confirmed the short-term rating as A1 at 30 November 2017.

Finally, the Board of Directors meeting on 29 March 2019 approved the 2019 financial planning, which contains no indication of any financial issues.

7. Reporting and control

After the reform, particular attention was paid to the development of budgetary control and reporting tools in order to limit the risks of non-compliance with budgetary objectives and to align all the company's departments on common objectives, in economic and financial terms as well as with regard to operational activity and customer service quality.
Key performance indicators (KPI) established in this regard will also be used to report to the government on the performance obligations contained in the management contract.

Every month, an activity report on financial operations is prepared by the Treasury Department for the management of the Finance, Accounting and Internal Audit Departments and the Board of Auditors.

On a regular basis, the Finance Department reports on financial activities to the Management Committee, the Audit Committee and the Board of Directors, as part of the presentation of the financial statements

In addition, the Internal Audit is responsible for verifying compliance with the financial policy defined by the company, particularly cash and debt management, investment policy and financial risk management.

In view of the internal regulations in force regarding risk management and reduction, it is clear that the existing contracts relating to derivatives can have only a marginal impact on the company’s price, credit, liquidity and cash flow risks.

These risks are assessed quarterly at their market value and the necessary provisions are made or reversed.

Pursuant to Article 67 of the management contract with the government, the Finance Department regularly reports to the Directorate General for Sustainable Mobility and Railway Policy and the Minister of Public Companies on the use of financial resources from the RER Fund.

8. Risks and uncertainties relating to the use of financial instruments and the company’s financial situation

SNCB actively manages certain risks relating to liquidity, exchange rates, interest rates and credit. For this purpose, it has adopted a financial policy, approved by the Board of Directors, through which risk management is strictly regulated.

In order to manage financial risks, derivatives are used which include swaps, forward rate agreements, options, forward exchange contracts with an underlying interest rate, inflation, exchange rates, energy products (including diesel and electricity for traction) or credit.

Three counterparties need to be consulted prior to the conclusion of hedging transactions.

Trading operations are excluded.

Liquidity risks

When financing is contracted, predicted changes in future cash flows are taken into account so as to level out and reduce the cash balances as far as possible.

In addition, the liquidity risk is covered by spreading debt maturities over time. As such, up to 20% of long-term net debt may mature in the same year, with a maximum of 10% of debt per quarter.

Foreign exchange risks

Any debt transaction and every investment generating a cumulative exchange risk of higher than €5 million for SNCB, must be immediately covered in full in euros.

The covered position can be accompanied by a floating or fixed interest rate

Interest rate risk

The working methods for limiting liquidity risks also apply for covering interest rate risks.

The aim is for fixed rate debt to represent 65% to 75% of long-term net debt. This percentage can be adjusted according to market conditions, subject to compliance with the set procedures.

Pre-financing contracted by SNCB for the RER equipment and the purchase of series 18 locomotives, which is covered by hedging, is not taken into account when calculating the ratio.

Credit risk

Investments must be in the form of a loan and cannot be made in risk capital. They are subject to strict minimum rating criteria of the counterparties, depending on the investment term.

Maximum amounts per counterparty are also set. These limits do not apply to instruments issued or guaranteed by the Belgian Government, the Flemish Region, the Walloon Region, the French Community, the German-speaking Community or the Brussels-Capital Region or to US Treasuries and investments in Eurofima.

Neither do these limits apply to compulsory contractual investments under leasing transactions with the leasing counterparty or the counterparty's parent company. These investments may be to the maximum of the outstanding amount of the lease obligations.

For derivatives, the credit risk in relation to the counterparties must be spread and systematically covered by the conclusion of Credit Support Annex (CSA) contracts. With regard to this type of contract, regular calculations are made of the net amount that would have to be paid by either SNCB or the counterparty in the event of the immediate cancellation of the total outstanding amount of the derivatives concluded with the counterparty.

By using CSAs, the risk is limited to a maximum amount, which varies depending on the rating of each counterparty. Continued downgrading of SNCB’s rating would result in considerable sums having to be lodged with counterparties in accordance with the provisions of these CSA contracts.

For counterparties that have been placed on a "negative credit watch", no new transactions can be concluded during the "negative credit watch" period.

The obligation to conclude a CSA does not apply to Eurofima.

Regional pre-financing and co-financing

The cooperation agreement between the government, the Flemish Region, the Walloon Region and the Brussels-Capital Region relating to the (then unitary) SNCB 2001- 2012 multi-year investment plan provided for:

- The pre-financing of infrastructure projects of regional interest, through which the pre-financed amounts were reimbursed by the Federal government and the interest charges borne by the Region concerned;
- The co-financing of work concerning major rail investments, through which the pre-financing cost (capital and interest) was reimbursed in full by the Region concerned.

The following pre-financing concerns SNCB:

- Construction of parking facilities at Louvain-la-Neuve (agreement of 2 June 2009) via pre-financing with SNCB (delivered in 2017);
- the unused balance of the pre-financing mentioned above will be used to finance part of the investments for the RER in Wallonia.

In addition to the following co-financing arrangements:

- Construction of a new link road to improve accessibility to the areas surrounding the station of Mechelen, together with the redevelopment of public areas (agreement of 19 December 2008) through a financing contract with SNCB;
- Integration of a bus station in the future Mons railway station (agreement of 1 March 2010) and integration of a bus station in the existing station at Namur (agreement of 4 September 2012) through a financing contract with SNCB.

On 14 December 2010, a cooperation agreement was signed with the Flemish Region and De Lijn for the construction of a tram shed for De Lijn in Ostend. When the work ended (31.05.2016), the shed was made available to De Lijn for a period of 15 years through a finance lease.

It should also be mentioned that in the context of the Multi-Annual Strategic Investment Plan, regional co-financing is planned with the Flemish Region for the financing of combi-mobility projects and the extension of platforms in the stations of the 19 Mol - Neerpelt - Hamont line as part of the line's electrification.

Transactions with related parties carried out under non-market conditions

Pursuant to the Royal Decree of 10 August 2009, SNCB is obliged to provide additional information about significant transactions with related parties executed under non-market conditions. In particular, this concerns companies meeting more than one of the criteria set out in Article 16, §1, paragraph 1 of the Companies Code.

No significant transactions were executed with other subsidiaries or sub-subsidiaries not, directly or indirectly, wholly owned by SNCB.

For the sake of prudence, it should also be specified that no significant transactions were executed under non-market conditions with companies not, directly or indirectly, wholly owned by the government, which owns 99.97% of SNCB shares. Furthermore, no significant transactions were made under non-market conditions with members of management or executive bodies or individuals related to them

In accordance with Article 96, 9° of the Companies Code, SNCB confirms the independence and competence in accounting and auditing of at least one member of its audit committee.

1.1. Corporate Governance

Corporate Governance

Introduction

The SNCB articles of association are heavily influenced by its legal status as a public limited company under public law (Société anonyme de droit public). As such, SNCB is primarily subject to the Law of 21 March 1991 on the reform of certain economic public companies. For matters not covered by this Law, it is subject to the Companies Code.

In today's world, corporate governance is a major issue which requires careful attention and rules of the utmost transparency. As a public company, SNCB is resolutely committed to this movement of corporate responsibility towards better management and improved control of its activities In view of its public service missions, SNCB has a direct social responsibility towards its main shareholder – the State – and its customers: members of the public who travel by train.

Corporate Governance Statement

With regard to the rules of corporate governance, SNCB complies with the reference code stipulated by the Royal Decree of 6 June 2010 (Belgian Official Gazette of 28 June 2010, p. 39622 et seq.), except as provided for in the Law of 21 March 1991 on the reform of certain economic public companies.

In order to fulfil its obligations properly, SNCB is supported not only by its Board of Directors but also by three specialist committees: the Audit Committee, the Appointments and Remuneration Committee and the RER Strategic Committee, as well as the Management Committee and other consultative committees, such as:

- the Steering Committee
- the National Joint Committee
- the Strategic Company Committee

In addition, there are also inspection bodies, such as the Government Commissioner and the Board of Auditors.

The scale of the challenges and priorities facing SNCB requires the complete alignment, participation and involvement of all operational and support activities, both in preparing and implementing decisions. In this context and without prejudice to its powers and composition as laid down by law, the Management Committee meeting of 21 August 2018 decided to set up an Executive Committee. In addition to the members of the Management Committee, the Executive Committee includes the holders of the other fields of activity which are essential for the management of the company, and for setting out and implementing the SNCB strategy. All members of the Executive Committee report directly to the CEO, who is also the Chairman of the Executive Committee.

For a more detailed description of the management structure and the operating rules of the management bodies, please refer to the Corporate Governance Charter published on the SNCB website (www.sncb.be).

Exemption from the 2009 Belgian Corporate Governance Code

SNCB complies with the principles and provisions of the 2009 Belgian Corporate Governance Code, with the exception of provisions 4.1, 4.2, 4.6 and 4.7.

Provisions 4.1 and 4.2 stipulate that the Board of Directors must establish appointment procedures and selection criteria for directors and that the Chair or another non-executive director must conduct the appointment process. However, Article 162 bis, § 2 of the Law of 1991 stipulates that the King appoints the directors according to the complementary nature of their qualifications, with the exception of two directors who satisfy the criteria listed in Article 526 ter of the Companies Code and who are appointed by the General Shareholders' Meeting. These two directors can only be appointed when the current terms of office expire.

Provision 4.6 stipulates that directors' terms of office must not exceed four years, whereas, according to Article 162 bis, § 3 of the Law of 1991, SNCB directorships have a six-year term.

Provision 4.7 stipulates that the Chair must be appointed by the Board; however, Article 162 bis, § 5 provides that the Chair is appointed by the King.

1. Board of Directors

Composition

The composition of the Board of Directors and the appointment of directors are governed by Article 162 bis of the Law of 21 March 1991 and the Royal Decree of 25 December 2016.

In 2018, the Board of Directors was made up as follows:

Chair:	Jean-Claude FONTINOY
CEO:	Sophie DUTORDOIR
Directors:	Filip BOELAERT, Jean-Jacques CLOQUET, Valentine DELWART (until 7 February 2018), Laurence GLAUTIER (from 23 February 2018), Marc DESCHEEMAECKER, Martine DUREZ, Yves GOLDSTEIN, Kris LAUWERS, Isabelle JEURISSEN, Renaud LORAND (until 12 January 2018), Ermeline GOSSELIN (from 26 January 2018), Saskia SCHATTEMAN, Dirk STERCKX and Bart VAN CAMP.

The directors' term of office began on 14 October 2013 with the exception of the terms of office of the 3 directors representing the regions (Mrs DUREZ and Messrs. BOELAERT and GOLDSTEIN) and Mr VAN CAMP who took up office on 1st January 2017. The CEO's term of office began on 7 March 2017. These terms of office are held for 6 years.

Main functions held outside SNCB by non-executive directors:

- Mr FONTINOY, Chair of HR Rail and the National Joint Committee, Expert Advisor to the Office of the Deputy Prime Minister and the Minister of Foreign Affairs, Company Director;
- Mr BOELAERT, General Secretary of the Flemish Administration "Mobiliteit & Openbare Werken";
- Mr CLOQUET, CEO, commercial and operations director at Pairi Daiza;
- Mr DESCHEEMAECKER, Chair of De Lijn and Brussels Airport and Company Director;
- Mrs DUREZ, Company Director;
- Mrs GLAUTIER, Director of the Office of the Walloon Minister-President and Secretary of the Walloon Government;
- Mr GOLDSTEIN, Advisor to the SAU Urban Development Company;
- Mrs GOSSELIN, Chief of Staff of the City of Soignies;

- Mrs JEURISSEN, Member of the Board of Directors of the Société Wallonne des Eaux (SWDE);
- Mr LAUWERS, Deputy CEO of STIB;
- Mrs SCHATTEMAN, CEO VAR;
- Mr STERCKX, Company Director;
- Mr VAN CAMP, Director of 'Omgeving Beheersmaatschappij Antwerpen Mobiel SA'.

<u>Operation - Frequency of meetings</u>

Under Article 10 of the Articles of Association, the Board meets as often as is required by the interests of the company and at least four times a year.

In 2018, the Board met 13 times. Mrs LEBURTON and Mrs GLAUTIER and Messrs. BOELAERT and FONTINOY did not attend 1 meeting; Mrs JEURISSEN and Mr. VAN CAMP did not attend 2 meetings; Mr. CLOQUET did not attend 3 meetings; Mrs GOSSELIN did not attend 4 meetings and Mr. GOLDSTEIN did not attend 7 meetings. The other directors were present at all the meetings. The average attendance rate was 87.6%.

In extraordinary circumstances duly justified by the urgency of the matter and the social interests of the company (except cases excluded by law), decisions of the Board of Directors may be made by the directors’ unanimous consent in writing.

This procedure was applied once in 2018.

Powers

The Board of Directors is authorised to carry out all necessary or useful acts to realise the corporate objective of the public corporation. It oversees the management exercised by the Management Committee. The Management Committee regularly reports to the Board.

In 2018, the Board of Directors made decisions regarding a number of major issues, and ensured that they were followed-up:

- preparing SNCB for the liberalisation of national passenger traffic;
- managing operational performance;
- the financial situation of SNCB and stabilisation of debt;
- the punctuality and safety of rail traffic;
- the streamlining and governance of subsidiaries (e.g. Eurostation merger);
- the digital transformation of SNCB, in particular the Digital Customer Journey;
- the master plan for administration buildings;
- the station projects and the standard station concept;
- the strategy for cleaning buildings, stations and trains;
- leadership training and the new recruitment campaign concept;
- the strategic IT partnership with TCS;
- the reorganisation of purchasing procedures;
- the Management Contract.

Conflicting financial interest

In 2018, the procedure as set out in Article 523 of the Companies Code was not applied in any case.

2. Audit Committee

The creation of the Audit Committee is set out in Article 161 ter of the Law of 21 March 1991.

Composition

Chair:	Marc DESCHEEMAECKER
Members:	Valentine DELWART (until 7 February 2018), Laurence GLAUTIER (from 23 February 2018), Dirk STERCKX, Renaud LORAND (until 12 January 2018), Martine DUREZ (from 26 January 2018).

Operation - Frequency of meetings

The Committee meets regularly. The Committee's chair may convene extraordinary meetings to enable the Committee to perform its duties.

In 2018, the Audit Committee met 9 times. Mrs GLAUTIER did not attend 4 meetings; the other members attended all the meetings. The average attendance rate was 88.9%.

Powers

The Audit Committee undertakes the tasks entrusted to it by the Board of Directors. In addition, it is responsible for assisting the Board of Directors in examining all financial information, in particular the annual accounts, annual report and interim financial reports. It also ensures the reliability and integrity of financial reports regarding risk management.

3. Appointments and Remuneration committee

The creation of the Appointments and Remuneration Committee is set out in Article 161 ter of the Law of 21 March 1991.

<u>Composition</u>

Chair:	Jean-Claude FONTINOY
Members:	Sophie DUTORDOIR, Jean-Jacques CLOQUET and Marc DESCHEEMAECKER.

<u>Operation - Frequency of meetings</u>

The Committee meets as often as required by Company interests.

In 2018, the Appointments and Remuneration Committee met 3 times. Mr FONTINOY did not attend 1 meeting. The other members were present at all the meetings. The average attendance rate was 91.7%.

<u>Powers</u>

The Committee gives its opinion on candidates put forward by the CEO for appointment to the Management Committee.

The Committee submits proposals to the Board regarding the remuneration and benefits awarded to members of the Management Committee and senior executives, and continually monitors these matters.

The Appointments and Remuneration Committee also performs tasks assigned to it by the Board of Directors.

4. RER Strategic Committee

This Committee was created by the Law of 19 April 2014 amending the Law of 21 March 1991 regarding the creation of the RER Strategic Committee (Articles 161 sexies to 161 octies).

Composition

Chair:	Sophie DUTORDOIR
Members:	Filip BOELAERT, Valentine DELWART (until 7 February 2018), Laurence GLAUTIER (from 23 February 2018), Martine DUREZ, Yves GOLDSTEIN and Kris LAUWERS

Operation - Frequency of meetings

In 2018, the RER Strategic Committee met once. Mr GOLDSTEIN did not attend 1 meeting. The other members were present at all the meetings. The average attendance rate was 83.3%.

Powers

The RER Strategic Committee draws up a proposed five-year plan for operating the RER, which is subject to approval by the Board of Directors. Every year, it reports on the implementation of the five-year plan and makes recommendations based on this.

On its own initiative or at the request of the Board of Directors, it gives a prior opinion on proposed decisions regarding the operation of the RER.

5. Management Committee

Composition

The composition of the Management Committee is governed by Article 162 quater of the Law of 21 March 1991.

In 2018, the Management Committee was made up as follows:

Chair:	Sophie DUTORDOIR
General Directors:	Patrice COUCHARD (Stations)
	Bart DE GROOTE (Marketing & Sales)
	Richard GAYETOT (Technics) (until 1 October 2018).
	Olivier HENIN (Finance)
	Koen KERCKAERT (Transport)

Operation - Frequency of meetings

The Management Committee meets once a week, usually on Tuesdays.

In 2018, the Management Committee met 47 times

Powers

The Management Committee is responsible for the day-to-day management of the company and for representing that management. It also executes the decisions of the Board of Directors.

The members of the Management Committee form a collegiate body. They may allocate tasks among themselves.

Executive Committee

The Executive Committee meets weekly in preparation for the Management Committee.

Composition:
- Sophie DUTORDOIR, Chair
- Jihane ANNANE, (Corporate Communication & RER)
- Petra BLANCKAERT (HR)
- Patrice COUCHARD (Stations)
- Bart DE GROOTE (Marketing & Sales)
- Richard GAYETOT (Technics) (until 1 October 2018) replaced by Gerd DE VOS
- Olivier HENIN (Finance)
- Koen KERCKAERT (Transport)
- Renaud LORAND (Strategy, Legal & IT).

6. Government Commissioners

Article 162 nonies of the Law of 21 March 1991 states (translation): "SNCB shall be subject to the controlling power of the Minister whose portfolio includes the railways. This supervision is exercised through the action of a Government Commissioner, appointed and dismissed by the King, at the proposal of the Minister concerned."

The Commissioner is invited to all Board of Directors and Management Committee meetings, and attends in an advisory capacity. The Commissioner also attends the Audit Committee meetings in an advisory capacity.

Mrs Françoise DEMEUSE was appointed Government Commissioner to SNCB from 18 March 2015 by Royal Decree of 26 February 2015.

7. Board of Auditors

Article 25, §1 of the Law of 21 March 1991 states (translation) "The audit of the financial situation, of the annual financial statements and of regularity, from the viewpoint of the law and the organic statute, of the activities to be recorded in the annual financial statements, shall in each autonomous public company be delegated to a Board of Auditors of four members. The members of the Board bear the title of Statutory Auditor."

The Board of Auditors is comprised of four members, two of whom are appointed by the National Audit Office from among its members, and two of whom are appointed by the General Shareholders' Meeting from among the members of the Institute of Company Auditors.

For the 2017 to 2019 financial years, the General Shareholders' Meeting of 31 May 2017 approved the appointment of KPMG and BDO for the external audit of the SNCB statutory and consolidated accounts, and approved their remuneration.

The members of the Board of Auditors for the audit of the statutory accounts are:

Chair:	KPMG, represented by Erik CLINCK (replaced by Mr. DE SCHUTTER from 1 October 2018).
Members:	Michel de FAYS, Rudy MOENS and BDO, represented by Felix FANK

The Statutory Auditors for the audit of the consolidated accounts are:

Erik CLINCK on behalf of KPMG (replaced by Mr DE SCHUTTER from 1 October 2018) and Felix FANK on behalf of BDO.

1.2. Remuneration report

Remuneration report

1. Remuneration of members of the Board of Directors

Article 162 quinquies, § 2 of the Law of 21 March 1991 on the reform of certain economic public companies stipulates that the General Shareholders' Meeting shall determine the remuneration of the members of the Board of Directors.

The General Shareholders' Meeting held on 31 May 2006 fixed the principles set out below, for determining the remuneration of directors with the exception of the CEO, who does not receive any remuneration or attendance fees as a member of the Board of Directors and Committees.

The calculation of directors' remuneration did not change in 2018.

The gross remuneration paid to the Chair is comprised of a fixed annual component of €39,200 and a variable component consisting of attendance fees. The attendance fees amount to:

- €500 per Board meeting;
- €400 per meeting of a Committee of which the Chair is a member

In addition, the Chair is paid an annual fee covering operating expenses of €2,400 and is provided with a company car.

The gross remuneration paid to other Directors is comprised of a fixed annual component of €13,600 and a variable component consisting of attendance fees. The attendance fees amount to:

- €500 per Board meeting;
- €400 per meeting of a Committee of which they are members

In addition, they are paid an annual fee covering operating expenses of €1,200.

Attendance at meetings is required in order to qualify for attendance fees.

Directors do not receive any results-based remuneration, such as bonuses or long-term profit-sharing schemes; nor do they receive any benefits in kind or pension-related benefits.

No changes to the remuneration of non-executive members of the Board of Directors are envisaged.

Directors' gross remuneration in 2018 (excluding fee for operating expenses)		Attendance at meetings			
		BoD	ARC	Audit	RERCo
		/13	/3	/9	/1
J-C. FONTINOY	€46,000	12	2		
M. DESCHEEMAECKER	€24,500	13	3	9	
JJ. CLOQUET	€19,800	10	3		
V. DELWART	€1,633.33	1/1			
L. GLAUTIER	€19,966.63	11/12		5	1
K. LAUWERS	€20,500	13			1
E. GOSSELIN	€18,100	9			
I. JEURISSEN	€15,700	11			
S. SCHATTEMAN	€20,100	13			
D. STERCKX	€23,300	13		9	
F. BOELAERT	€20,000	12			1
M. DUREZ	€23,700	13		9	1
Y. GOLDSTEIN	€16,600	6			0
B. VAN CAMP	€18,600	11			

Mr FONTINOY also serves as Chair of the Board of Directors of HR Rail, for which he received a gross remuneration of €3,000 (attendance fee of €500 per board meeting and €400 per Appointments and Remuneration Committee meeting), and also serves as Chair of the Board of Directors of Eurogare (non-remunerated).

2. Remuneration of Management Committee members

The procedure for setting the remuneration of Management Committee members complies with Article 161 ter, § 4, paragraph 2 of the Law of 21 March 1991 on the reform of certain economic public companies:
"The Board of Directors shall, on the proposal of the Appointments and Remuneration Committee, determine the remuneration and benefits granted to Management Committee members and senior executives. It shall monitor these matters continuously."

The remuneration of the CEO and the General Directors takes account of the decision that the Government has made on salaries in public companies.

Remuneration of the CEO

The remuneration, consisting of a fixed component and a variable component, together with the benefits linked to the role are defined in a special agreement negotiated with the Board of Directors.

The gross amount of the fixed remuneration is €230,000 per annum and is paid in 12 monthly instalments of €19,166.67. This is an indexed amount (base = health index November 2013).

The variable remuneration is a maximum of €60,000 gross per annum (base = health index November 2013). The exact amount is determined by the Board of Directors based on the objectives specified by the Board. The Board of Directors reviews the targets once a year.

During the 2018 financial year, the total gross remuneration paid to Mrs DUTORDOIR, CEO, amounted to:
- Fixed component 2018: €243,375.38

- Variable component 2017: €63,745.51
  There were no benefits in kind, group insurance or hospital insurance.

<u>Remuneration of General Directors</u>

The remuneration system comprises:

1. A fixed component defined in a special agreement negotiated with the Board of Directors;

2. A variable component: defined according to an evaluation coefficient from 0 to 3. An annual evaluation is carried out by the CEO and submitted to the Appointments and Remuneration Committee. Pursuant to the Board of Directors' decisions of 25 April 2014 and 28 April 2017, on the proposal of the Appointments and Remuneration Committee, the evaluation is based on a rate of 50% on the following common criteria: Recurrent EBITDA (15%), punctuality without neutralisation and minutes delayed due to SNCB (20%) and customer satisfaction (15%) and, for the remaining 50%, on the attainment of individual objectives established in advance by the CEO.

The remuneration system does not include any provisions entitling the company to claim any variable remuneration granted on the basis of incorrect financial information.

On average, the variable component represents less than 25% of the total remuneration.

Holiday pay, annual bonus and any other allowances and benefits are determined according to the applicable regulatory provisions. Members under contract are covered by group insurance and hospital insurance.

General Directors do not receive any remuneration in the form of shares, share options or other rights to acquire shares.

During the 2018 financial year, the total gross remuneration paid to General Directors amounted to:

- Fixed component 2018: €917,428.54
- Variable component for the 2017 financial year: €259,926.33
- Other remuneration components:
    - Benefits in kind (car, telephone): €21,071.66
    - Group insurance, insurance against accidents at work and hospital insurance: €80,347.27

<u>Severance pay for Management Committee members</u>

If Mrs DUTORDOIR's contract is terminated early for reasons other than gross misconduct, she is entitled to compensation amounting to 12 months of the fixed component of her remuneration.

If their contract is terminated early for reasons other than gross misconduct, Mr COUCHARD, Mr DE GROOTE and Mr HENIN are entitled to compensation amounting to 12 months of their total remuneration.

For Mr KERCKAERT and Mr GAYETOT, it is stipulated that if they resign during their term of office or if this is not renewed, they will be returned to the rank of Director and remunerated according to the pecuniary conditions related to this rank.

3. Offices held in subsidiaries and companies with participating interests

The Board Meeting held on 25 February 2005 decided that directorships held in subsidiaries by members of SNCB Group personnel would not be remunerated. This was recently confirmed in the Charter of Governance for the subsidiaries that was adopted by the Board of Directors in May 2015.

Sophie DUTORDOIR CEO

Jean-Claude FONTINOY
President of the Board of Directors

2. Financial statements

GENERAL INFORMATION

Activities

The main activities of SNCB are activities of public services as described in the Royal Decree of 11 December 2013 :

- the domestic transport of passengers with trains of normal service, as domestic destinations by high speed trains;
- cross-border transport of passengers;
- the purchase, maintenance, management and financing the rolling material used for the tasks as mentioned above;
- services that must been provided for the needs of the Nation;
- the acquisition, designing, construction, renovation, maintenance and management of the stations, the unmanned stops and its appurtenances;
- the preservation of the historical heritage concerning rail operations;
- security and surveillance tasks in the field of railways;
- other public services demanded by or mandatory by law.

Legal status

SNCB is a public limited company whose head office is located Rue de France 56, 1060 Brussels. It is registered under the company number 0203.430.576. The statutes of SNCB were changed on 20 December 2013 and approved by Royal Decree of 4 April 2014. The last amendments to its statutes were published in the Belgian Official Journal, dated 4 June 2015.

Financial statements and valuation rules

The individual financial statements as at 31 December 2018 are prepared in accordance with IFRS, have been approved by the Management Board on 29 March 2019. It is a restricted version of the individual financial statements that includes :

- Statement of financial position
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows

All figures in this document are expressed in euros (EUR), to 2 decimals except if specifically indicated.

We haven't prepared the notes to the individual financial statements. The individual financial statements are only destined for internal use and aren't certified by the Auditors.

However, the consolidated financial statements as at 31 December 2018, certified by the auditors and deposited at the National Bank of Belgium, includes a complete version of the notes to the financial statements.
The assets and equity and liabilities of the SNCB are valued in accordance with the valuation rules described in note 1 of the notes to the consolidated financial statements with exception of « Interests in subsidiaries, joint ventures and associates » for which specific rules of consolidation exist. The valuation rule only applicable to the individual statements of the SNCB is the following:

Interests in subsidiaries, joint ventures and associates

Entities over which the SNCB exercises joint control together with one or more parties pursuant to a contractual arrangement with those parties, and associates, over which the SNCB exercises significant influence without exercising control, are *accounted for* at cost less impairment, if any.

An impairment loss is recorded on interests in entities over which the SNCB exercises control or joint control and on associates when the carrying value is greater than the recoverable amount. These interests are subject to an impairment test when there is an objective indicator to believe the interest has suffered an impairment loss.

For the non-significant investments, the recoverable amount is based solely on the proportion held by the SNCB in the equity of the previous financial year.

No impairment test is performed when the main activity of the subsidiary consists of real estate transactions almost entirely with other companies of the SNCB Group.

I. STATEMENT OF FINANCIAL POSITION

ASSETS

	At 31 December 2018	2017	
Non-current assets			
Intangible assets	215.545.722,10	216.544.399,15	
Property, plant and equipment	7.161.866.340,93	7.163.916.756,36	
A. Land	*867.525.912,96*	*779.622.706,41*	
B. Buildings	*1.092.768.851,22*	*954.629.124,24*	
C. Railway rolling stock	*3.681.254.430,81*	*3.810.191.909,26*	
D. Plant and various equipment	*283.988.448,09*	*222.502.671,26*	
E. Tangible fixed assets under construction	*1.236.328.697,85*	*1.396.970.345,19*	
Investment property	464.245.909,10	429.124.359,79	
Investment in subsidiaries	21.413.926,82	167.559.266,36	*
Investments in associates and joint ventures	325.694.739,20	323.672.296,97	*
Trade and other receivables	719.076.659,59	749.093.164,66	
Derivatives	267.618.898,36	254.304.610,26	
Other financial assets	661.957.383,95	667.465.968,90	
Deferred tax assets	13.106.475,11	20.942.917,37	
Subtotal of non-current assets	**9.850.526.055,16**	**9.992.623.739,82**	
Current assets			
Inventories	217.622.394,52	211.346.622,38	
Trade and other receivables	1.323.654.921,33	1.359.502.289,14	
Derivatives	144.142,75	260.629,50	
Other financial assets	7.825.610,63	9.730.480,41	
Cash and cash equivalents	289.775.580,14	387.871.884,03	
Subtotal of current assets	**1.839.022.649,37**	**1.968.711.905,46**	
Non-current assets held for sale			
Non-current assets held for sale	45.966.863,79	27.744.978,75	
TOTAL ASSETS	**11.735.515.568,32**	**11.989.080.624,03**	

*Compared with the version published on 31/12/2017, we have changed the classification of the interest in Publifer (8.934.250,04 EUR) from Interests in joint ventures and associates to Interests in subsidiaries.

EQUITY AND LIABILITIES

	At 31 December	
	2018	2017
Equity		
Share capital	249.022.345,57	249.022.345,57
Reserves	-493.684.203,53	-486.817.731,02
Total equity	**-244.661.857,96**	**-237.795.385,45**
Non-current liabilities		
Employee benefit obligations	329.380.494,06	326.031.907,59
Provisions	167.880.343,71	156.096.521,77
Financial liabilities	2.769.005.817,09	2.821.800.603,95
Derivatives	402.000.234,35	396.158.368,07
Trade and other payables	30.874.150,02	20.339.882,84
Grants	6.598.950.956,07	6.340.272.273,66
Other amounts payable	57.590.083,27	137.742.094,59
Subtotal of non-current liabilities	**10.355.682.078,57**	**10.198.441.652,47**
Current liabilities		
Employee benefit obligations	121.604.864,42	123.444.735,57
Provisions	79.439.688,43	90.142.971,16
Financial liabilities	290.621.423,45	671.346.198,19
Derivatives	12.903.845,39	10.425.729,66
Current tax payables	3.320.433,08	0,00
Trade and other payables	391.671.153,30	403.340.069,29
Social debts	90.332.116,85	85.936.111,34
Grants	373.170.603,68	369.736.480,50
Other amounts payable	261.431.219,11	274.062.061,30
Subtotal of current liabilities	**1.624.495.347,71**	**2.028.434.357,01**
Liabilities associated with non-current assets held for sale		
Liabilities associated with non-current assets held for sale	0,00	0,00
Total liabilities	11.980.177.426,28	12.226.876.009,48
TOTAL EQUITY AND LIABILITIES	**11.735.515.568,32**	**11.989.080.624,03**

II. STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
CONTINUING OPERATIONS		
Operating income before investment grants		
Turnover	1.134.766.719,82	1.091.202.099,14
Operating grants	1.216.084.222,26	1.188.181.050,50
Internally generated fixed assets	141.346.915,18	156.686.019,89
Other operating income	58.609.952,31	41.546.653,72
Total of the operating income before investment grants	**2.550.807.809,57**	**2.477.615.823,25**
Operating expenses before depreciation and impairment		
Purchase of raw materials and goods for resale	-108.794.707,90	-96.899.259,53
Services and other goods	-1.224.992.964,12	-1.158.942.028,40
Employee benefit expenses	-1.114.107.663,96	-1.098.435.520,22
Other operating expenses	-25.751.777,27	-20.904.762,07
Total of the operating expenses before depreciation and impairment	**-2.473.647.113,25**	**-2.375.181.570,22**
Operating result before investment grants, depreciation and impairment	**77.160.696,32**	**102.434.253,03**
Investment grants	375.998.685,01	381.074.527,61
Depreciation and impairment losses on intangible assets , property, plant and equipment, investment properties and non-current assets held for sale	-425.350.610,07	-430.633.260,89
Impairment losses on investments in subsidiaries, joint ventures and associates	0,00	795.056,88
Operating result	**27.808.771,26**	**53.670.576,63**
Financial income	64.749.540,57	127.508.527,48
Financial expenses	-93.623.912,14	-118.399.171,09
Net financial result	**-28.874.371,57**	**9.109.356,39**
Net result from continuing operations before tax	**-1.065.600,31**	**62.779.933,02**
Income taxes	-9.572.756,82	19.516.515,64
Net result from continuing operations	**-10.638.357,13**	**82.296.448,66**
NET RESULT FOR THE YEAR	**-10.638.357,13**	**82.296.448,66**
Other comprehensive income for the year :		
That will not be reclassified subsequently to profit or loss		
Actuarial differences on post-employment benefits	4.926.363,26	4.346.032,77
Tax relating to other comprehensive income	1.708.061,68	1.424.011,88
Own credit risk SNCB in FV adjustements financial liabilities	1.759.922,44	0,00
Fair value adjustments Other financial assets	-619.733,86	0,00
Subtotal of the other comprehensive income for the year that will not be reclassified subsequently to profit or loss	**7.774.613,52**	**5.770.044,65**
TOTAL COMPREHENSIVE INCOME	**-2.863.743,61**	**88.066.493,31**

III. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Reserves	Total equity
At 1 january 2017	**249.022.345,57**	**-574.884.224,33**	**-325.861.878,76**
Net income 2017		82.296.448,66	**82.296.448,66**
Other comprehensive income 2017	*0,00*	5.770.044,65	**5.770.044,65**
Actuarial gains and losses on post employment benefits		*4.346.032,77*	**4.346.032,77**
Tax related to other comprehensive income		*1.424.011,88*	**1.424.011,88**
Total comprehensive income for the year	**0,00**	**88.066.493,31**	**88.066.493,31**
At 31 December 2017	**249.022.345,57**	**-486.817.731,02**	**-237.795.385,45**
At 1 january 2018	**249.022.345,57**	**-486.817.731,02**	**-237.795.385,45**
Net income 2018		-10.638.357,13	**-10.638.357,13**
Other comprehensive income 2018		7.774.613,52	**7.774.613,52**
Actuarial gains and losses on post employment benefits		*4.926.363,26*	***4.926.363,26***
Tax related to other comprehensive income		*1.708.061,68*	***1.708.061,68***
Own credit risk in fair value adjustments financial liabilities		*1.759.922,44*	***1.759.922,44***
Fair value adjustments Other financial assets		*-619.733,86*	***-619.733,86***
Total comprehensive income for the year		**-2.863.743,61**	**-2.863.743,61**
Other movements in equity		-4.002.728,90	-4.002.728,90
At 31 December 2018	**249.022.345,57**	**-493.684.203,53**	**-244.661.857,96**

The other movements in equity as at 31 December 2018 include an amount of -4.002.728,90 EUR representing the impact of the first application of the standard IFRS 9 Financial instruments on the equity on the 1st of January 2018 of the SNCB. This standard foresees, from the 1st of January 2018 onwards, the application of a new depreciation model of the Financial assets based on the valuation of the expected credit losses to be recognised in advance at initial recognition of the asset.

IV. STATEMENT OF CASH FLOWS

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net result for the year	**-10.638.357,13**	**82.296.448,66**
Adjustments for:		
Depreciation and impairment on property, plant and equipment and intangible assets, investment property, non-current assets held for sale and surpluses	424.069.642,33	430.472.700,28
Impairment on interests in subsidiaries, joint ventures and associates	0,00	-795.056,88
Write down on inventories, impairment losses on trade and other receivables	15.847.734,01	12.573.605,81
Changes in fair value of derivatives	750.707,86	-18.009.136,62
Changes in fair value of and impairment losses on other financial assets and financial liabilities	-694.318,76	-11.335.867,02
(Gain) / loss on disposal of property, plant and equipment and intangible assets, investment property and non-current assets held for sale	-12.730.483,89	-6.648.082,11
(Gain) / loss on disposal of financial assets	0,00	-21,54
(Gain) / loss on sales of investments in subsidiaries, joint ventures and associated companies	-18.081,36	0,00
Fees on cross-border arrangements recognised in net result	-8.080.826,53	-4.550.021,20
Provisions	-1.867.189,89	-22.316.918,58
Employee benefits	6.435.078,58	2.484.972,30
Investment grants recognized in net result	-375.998.685,01	-381.465.085,93
Net of interest income and expenses	33.066.504,63	22.556.349,55
Income taxes	9.572.756,82	-19.516.515,64
Translation differences	2.334.726,36	2.471.651,84
	-3.901.892,06	0,00
Gross cash from operating activities	**78.147.315,96**	**88.219.022,92**
Change in net working capital:		
Inventories	-18.099.185,41	-13.257.349,92
Trade and other receivables	77.747.702,32	14.108.153,84
Trade and other payables, and social debts	-88.884.405,95	-46.676.483,98
Cash generated from operations before tax	**-29.235.889,04**	**-45.825.680,06**
Tax paid	-44.815,28	-187.041,60
NET CASH FROM OPERATING ACTIVITIES	**48.866.611,64**	**42.206.301,26**

	2018	2017
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets, investment property and assets held for sale	-429.380.524,35	-476.514.839,93
Acquisition of financial assets	-25.219.289,92	-78.140.085,91
Acquisition of subsidiaries, joint ventures and associates	-70.140,54	-7.541.634,57
Investment grants received	607.309.570,89	728.354.463,17
Proceeds from disposal of property, plant and equipment, investment property and assets held for sale	28.736.052,16	24.383.995,73
Proceeds from disposal of other financial assets	39.788.129,46	32.059.497,05
Proceeds from sale of shares in subsidiaires, joint ventures and associates	63.010,21	0,00
Proceeds from financial lease receivables	6.099.126,07	4.540.140,99
Interests received	63.613.552,80	71.861.534,86
Dividends received	2.793.067,10	8.033.305,70
NET CASH FROM INVESTING ACTIVITIES	**293.732.553,88**	**307.036.377,09**
Increase of financial liabilities	45.621.717,91	449.546.850,50
Redemption of financial liabilities (including financial lease liabilities)	-390.357.873,64	-614.124.372,75
Redemption/payments of derivatives	-2.421.750,30	-1.687.945,50
Interest paid	-92.671.222,90	-97.054.453,26
NET CASH FROM FINANCING ACTIVITIES	**-439.829.128,93**	**-263.319.921,01**
(DECREASE) / INCREASE IN CASH, CASH EQUIVALENT AND BANK OVERDRAFTS	**-97.229.963,41**	**85.922.757,34**
CASH, CASH EQUIVALENT AND BANK OVERDRAFTS AT THE BEGINNING OF THE YEAR	**387.871.884,03**	**307.081.133,70**
(Decrease) / increase in cash, cash equivalents and bank overdrafts	-98.126.312,93	85.922.757,34
Conversion differences	-65.615,66	-20.047,84
Merger SPV LLN	0,00	-5.111.959,17
Merger Eurostation	95.624,70	0,00
CASH, CASH EQUIVALENT AND BANK OVERDRAFTS AT THE END OF THE YEAR	**289.775.580,14**	**387.871.884,03**