Fluxys Belgium press release

29 August 2012 – Regulated information

Results for the first half of 2012

Explanation of key events since 1 January 2012
and their impact on the financial position of Fluxys Belgium

- **Falling interest rates affect net profit**
- **Pay-out of reserves contributes to optimisation of financial structure**
- **Successful bond issue**
- **Investment decision by Fluxys Belgium and French transmission system operator GRTgaz to build a connection between Dunkirk and Zeebrugge**

In accordance with the applicable requirements, an interim annual report is available on the Fluxys Belgium website at www.fluxys.com/belgium.

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1. Falling interest rates affect net profit

Fluxys Belgium group's net profit was €46.1 million for the first half of 2012, down €12.7 million from the same period in 2011, when it was €58.8 million. The net profit from regulated activities is primarily determined by the invested equity, the financial structure and the interest rates (Belgian linear bonds):

- The pay-out of €421.6 million of reserves in 2012 caused a decrease in equity, which in turn translates to a €3.9 million reduction in operating profit. However, the return on the remaining equity has risen because the financial structure has been improved to bring it more in line with the regulatory framework.
- The interest rates used as a reference for calculating the allowed return on the regulated assets are the 10-year linear bonds issued by the Belgian state (OLOs). These interest rates hit a historic low this year. By way of comparison, the average 10-year OLO rate for the past five years was 4%, whereas the average rate was just over 3% for the first six months of 2012, leading to a €6.7 million drop in the regulated net profit.

2. Pay-out of reserves contributes to optimisation of financial structure

The Fluxys Belgium General Meeting held in May 2012 decided to pay out the company's available reserves to an amount of €421.6 million. This pay-out makes it possible to evolve towards a financial structure more in line with the Belgian regulatory framework (1/3 equity to 2/3 liabilities). Moreover, the new financial structure will improve return on equity and creates room for keeping our tariffs competitive.

3. Successful bond issue

On 4 April 2012, Fluxys Belgium issued a bond which was terminated early that same day. The total amount of the issue was set at €350 million. The success of the issue confirms the confidence of the market and the financial institutions in the company's financial reliability and in the crossroads role of the Belgian natural gas grid in Northwestern Europe.

4. Results as at 30 June 2012 (under IFRS)

4.1 Summary consolidated income

Summary consolidated income	(in thousands of €)	
	30.06.2012	**30.06.2011**
Operating revenue	303,882	311,029
Other operating revenue	16,609	5,574
Consumables, merchandise and supplied used	-21,530	-27,302
Miscellaneous goods and services	-89,236	-66,331
Employee expenses	-61,714	-59,591
Other operating expenses	-3,519	-3,147
Net depreciation and amortisation	-68,945	-59,058
Net provisions	14,837	6,763
Impairment losses	-216	0
Profit from continuing operations	**90,168**	**107,937**
Actual change in the fair value of financial instruments	1,889	476
Financial income	6,158	6,516
Financial expenses	-27,675	-25,936
Profit from continuing operations after net financial results	**70,540**	**88,993**
Income tax expense	-24,397	-30,187
Net profit for the period	**46,143**	**58,806**
Fluxys Belgium share	46,143	58,806
Non-controlling interests	0	0
Basic earnings per share in €	0.6567	0.8369*
Diluted earnings per share in €	0.6567	0.8369*

** The presentation of the basic and diluted earnings per share was altered due to the General Assembly's decision on 8 May 2012 to split the share in 100.*

4.2 Summary consolidated comprehensive income

Summary consolidated comprehensive income	(in thousands of €)	
	30.06.2012	**30.06.2011**
Net profit for the period	**46,143**	**58,806**
Actuarial gains/losses on employee benefits	-5,979	2,658
Income tax expenses on other comprehensive income	2,032	-904
Other comprehensive income	**-3,947**	**1,754**
Comprehensive income for the period	**42,196**	**60,560**
Fluxys Belgium share	42,196	60,560
Non-controlling interests	0	0

Operating revenue. Operating revenue for the first half of 2012 was €303,882 thousand, compared to €311,029 thousand for the first half of 2011, i.e. a decrease of €7,147 thousand.

The revenue can be broken down as follows:

- €288,569 thousand (or 95.0%) from regulated activities, namely the transmission and storage of natural gas and terminalling services for liquefied natural gas in Belgium; down €7,230 thousand on the same period in 2011. Although customers subscribed more capacity than last year, the regulated allowed turnover (revenue cap) has fallen due to the impact of lower interst rates (Belgian linear bond) on regulatory settlements compared to last year;
- €15,313 thousand (or 5.0%) from the company's other activities, which is more or less in line with the figure for the first half of 2011.

Profit from continuing operations. Profit from continuing operations totalled €90.1 million for the first half of 2012, compared to €107.9 million for the first half of 2011. The following factors, explain this decrease of €17.8 million:

- The drop in allowed return on regulated activities, resulting from the fall in the interest rate for linear bonds (OLOs), negatively influenced profit to the tune of €10.2 million (before tax);
- Moreover, €3.9 million before taxes of the fall in profit from continuing operations can be attributed to the equity reduction triggered by the pay-out of available reserves;
- A number of non-recurring elements jointly account for a decrease of €3.7 million.

Net financial result. The net financial result is down €684 thousand on the figure for the same period in 2011. This trend is mainly the result of the interest expense on the newly issued bond.

Income tax expense. This expense has decreased by €5,790 thousand as a result of the drop in profit from continuing operations after net financial results.

4.3 Summary consolidated balance sheet

ASSETS		(in thousands of €)
	30.06.2012	**31.12.2011**
I. Non-current assets	**2,593,005**	**2,610,631**
Property, plant and equipment	2.512,802	2.528,848
Intangible assets	16,855	15,263
Other financial assets	93	42
Financial lease receivables	25,303	25,303
Loans and receivables	37,952	41,175
II. Current assets	**385,347**	**617,872**
Inventories	51,570	43,335
Other current financial assets	26,897	25,600
Financial lease receivables	1,033	2,067
Current tax receivables	5,003	2,673
Trade and other receivables	38,400	90,784
Short-term investments	64,468	41,984
Cash and cash equivalents	189,327	405,622
Other current assets	8,649	5,807
Total assets	**2,978,352**	**3,228,503**

Non-current assets. The investments made in the first half of the year (€50.2 million) were lower than the depreciation for the same period (€65.0 million), which explains the decrease in 'Property, plant and equipment'. Most of the investments were in compressor stations (€21.4 million), laying transmission pipelines (€10.0 million), expanding storage capacity at Loenhout (€3.7 million) and continuing work on building an Open Rack Vaporiser (€4.9 million) at the Zeebrugge LNG terminal.

Current assets. As announced in the 2011 annual results, the shareholders' guarantee was used as a result of the final decision regarding the value of Distrigas & C^{o}'s border-to-border transmission activities, leading to a €68 million drop in other receivables. The decrease in cash and cash equivalents during the first half of the year is primarily due to the pay-out of reserves and the investments made.

EQUITY AND LIABILITIES		(in thousands of €)
	30.06.2012	**31.12.2011**
I. Equity	**781,070**	**1,362,816**
Equity attributable to the parent company's shareholders	781,070	1,362,815
Share capital and share premiums	*60,310*	*60,310*
Reserves and retained earnings	*720,760*	*1,302,505*
Non-controlling interests	0	1
II. Non-current liabilities	**1,956,280**	**1,540,656**
Interest-bearing liabilities	1,478,897	1,058,341
Provisions	24,851	24,423
Provisions for employee benefits	55,589	54,443
Other non-current financial liabilities	1,394	0
Deferred tax liabilities	395,549	403,449
III. Current liabilities	**241,002**	**325,031**
Interest-bearing liabilities	89,322	148,903
Provisions	3,942	14,008
Provisions or employee benefits	3,783	3,715
Other current financial liabilities	0	1,989
Current tax payables	43,577	53,264
Trade and other payables	95,058	100,740
Other current liabilities	5,320	2,412
Total equity and liabilities	**2,978,352**	**3,228,503**

Interest-bearing liabilities. The increase in non-current interest-bearing liabilities is mainly the result of issuing a bond in April (€350 million). This move meant that the short-term commercial paper did not need to be renewed, bringing about a drop in current interest-bearing liabilities.

Equity. The decrease in equity can be explained by the pay-out of available reserves, as shown in the statement below:

Summary consolidated statement of changes in equity			(in thousands of €)
	Equity attributable to the parent company's shareholders	**Non-controlling interests**	**Total equity**
CLOSING BALANCE AS AT 31-12-2011	**1,362,815**	**1**	**1,362,816**
1. Comprehensive income for the period	42,196	0	42,196
2. Dividends paid*	-623,941	-1	-623,942
3. Changes in consolidation scope	0		0
4. Other variations	0		0
CLOSING BALANCE AS AT 30-06-2012	**781,070**	**0**	**781,070**

** including pay-out of reserves*

4.4 Summary consolidated cash flow

Summary consolidated cash flow		(in thousands of €)
	30.06.2012	**30.06.2011**
Cash and cash equivalents for the period	**405,622**	**559,173**
Cash flows from operating activities (1)	143,782	124,454
Cash flows relating to investing activities (2)	-54,542	-143,279
Cash flows relating to financing activities (3)	-305,535	-143,624
Net increase/decrease in cash	-216,295	-162,449
Cash and cash equivalents at the end of the period	**189,327**	**396,724**

(1) Cash flows from operating activities also include changes in the working capital requirement and taxes paid.

(2) This amount takes into account disinvestments.

(3) These include dividends paid.

5. Compensation for the victims of Ghislenghien

In consultation with the insurers, Fluxys Belgium has worked out an agreement on final compensation for the private individuals with a view to ending the proceedings, which are both difficult and stressful for the victims. The initiative of paying definitive compensation to the victims is independent of Fluxys Belgiums appeal to the Court of Cassation against the ruling of the Mons Court of Appeal. The compensation paid to the individual victims is final, regardless of the outcome of the ongoing legal proceedings.

6. Activities and services

Transmission volumes. In the first half of 2012, Fluxys Belgium transmitted 11% less natural gas through its grid than in the same period in 2011. Transmission volumes for consumption on the Belgian market rose by 2%, while transmission volumes for other markets dropped by around 20%.

As turnover is chiefly determined by reserved capacity, the evolution in actual transmission volumes has no significant impact on turnover in the short-term. Fluxys Belgium invoiced its customers a total of €376 million for all its services in the first half of 2012, compared to €358 million for the same period in 2011.

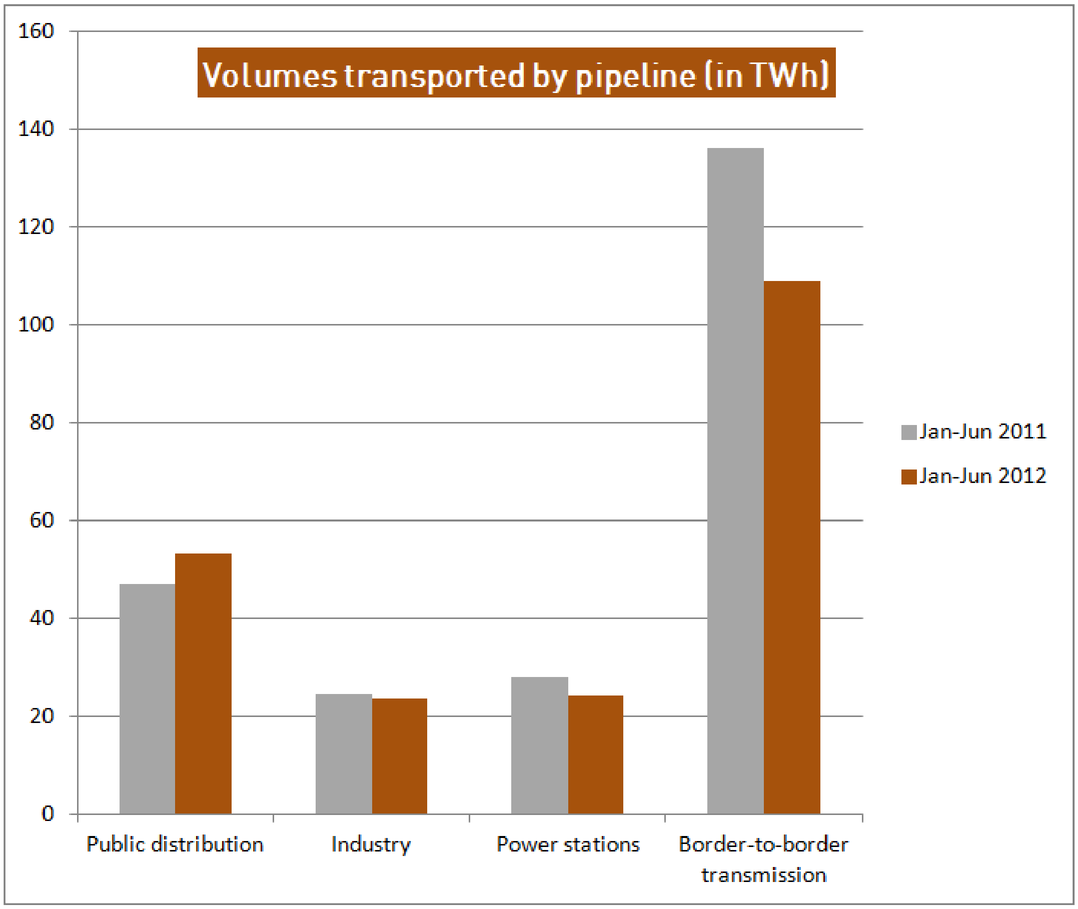
The winter peak played a major role in the increase in energy transmitted for consumption on the Belgian market (101 TWh, against 99 TWh for the same period last year).

- Offtake from distribution system operators, who transmit natural gas on to SMEs and households, was up almost 14%. This increase can mainly be ascribed to the lower temperatures experienced this year and the sustained period of cold weather in early February 2012.
- Power stations consumed 13% less gas than in the same period last year. This was primarily due to the combined effect of a negative spark spread (the difference between the selling price of electricity and the cost of the fuel used to generate electricity) and a low price for CO_2, which provided coal-based electricity generation with an advantage in Europe.
- Industrial customers who are directly connected to the Fluxys Belgium grid consumed around 3% less gas.

The volumes transmitted through Belgium to neighbouring countries (109 TWh) were significantly lower than in the first half of 2011 (136 TWh). This decrease results from several factors influencing short-term border-tot-border capacity sales:

- the impact of the current economic crisis at European level;
- a negative spark spread, which, of course, also affects neighbouring countries;

- price convergence between the spot markets in Northern Europe, brought about by an increase in liquidity on the markets. This price convergence has resulted in a reduction in transmission needs between spot markets; and
- an increase in LNG export from Zeebrugge to the Asian market: the high price paid for LNG on the Asian market means that less natural gas is being transmitted to neighbouring countries from the LNG terminal.



Additional storage capacity sold. In late 2011, Fluxys Belgium sold all of its long-term storage capacity (400 million m^3) for the maximum period of 10 years, beginning in storage year 2012-2013. In early 2012, the full package of short-term storage capacity for storage year 2012-2013 (280 million m^3) was sold too. In June 2012, Fluxys Belgium sold an additional package short-term storage capacity (of 25 million m^3) for the period between July 2012 and April 2013.

LNG terminalling: success for loading services. In the first half of 2012, Fluxys LNG received 36 ships, with 23 coming to unload and 13 to load. During the same period in 2011, 41 ships berthed at the terminal, all to unload. The service for loading LNG trucks is increasingly successful: in the first half of 2012, 142 LNG trucks were loaded at the terminal, their main destinations being the UK, the Netherlands and Germany.

7. Investments

Fluxys Belgium currently plans to invest €111 million in infrastructure projects in 2012 and invested a total of €50 million in the first half of the year. The most important projects fall within the scope of the introduction of the new entry/exit system and the creation of a Belgian gas trading point.

Dunkirk – Zeebrugge connection: a first in Europe. Fluxys Belgium and French transmission system operator GRTgaz have decided to connect the Dunkirk LNG terminal with the Zeebrugge area. This project is the first of its kind in Europe in various respects. Its development is the result of close cooperation between the national regulators and the TSOs involved. Moreover, Fluxys Belgium will become the first TSO in Europe to offer cross-border capacity in one single contract (capacity from Dunkirk in France to the future virtual trading point ZTP). For that purpose, Fluxys Belgium has reserved long-term capacity with GRTgaz for transmission from Dunkirk to the French-Belgian border.

Fluxys Belgium will build a new interconnection point at Alveringem, near Veurne, and lay a 72-km pipeline between Alveringem and Maldegem. This additional infrastructure will require an investment of €150 million on the part of Fluxys Belgium. GRTgaz will lay a new pipeline from Dunkirk to Alveringem, via the Pitgam compressor station. Both TSOs plan to have the new capacity available by late 2015 to coincide with the commissioning of the Dunkirk LNG terminal.

In addition, the Fluxys group has acquired a €250 million stake in the future Dunkirk LNG terminal, bringing the group's total investments in this important European project to €400 million.

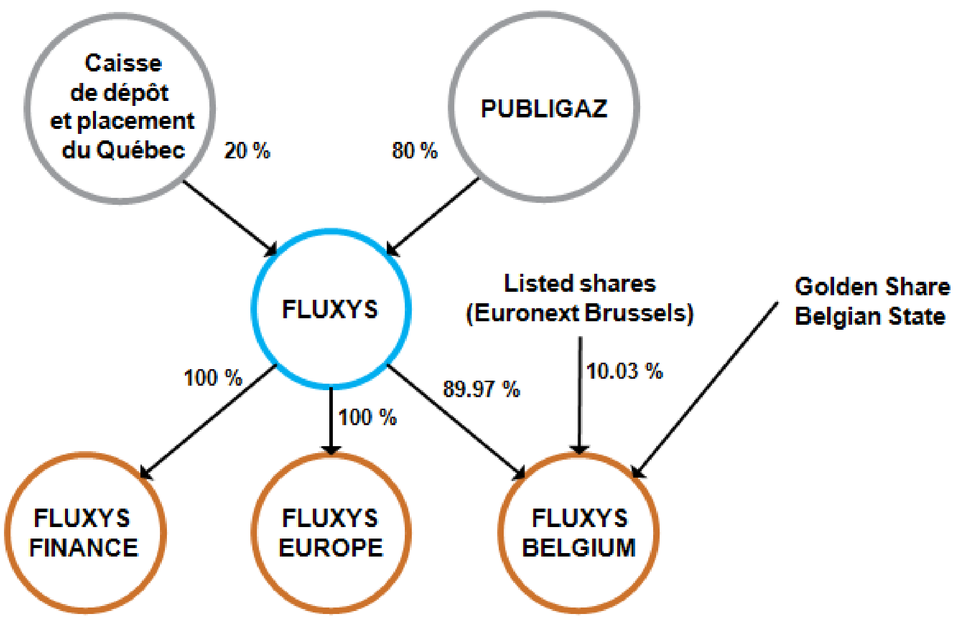
Second jetty at the Zeebrugge LNG terminal. A second jetty for loading and unloading LNG carriers is currently under construction at the LNG terminal. Ships with capacities ranging from 2,000 to 217,000 m^3 of LNG will be able to berth at this new jetty, making it possible for the terminal to receive LNG carriers of all sizes, from the smallest to the largest. The new jetty paves the way for the terminal to become an important link in the development of LNG as an alternative green fuel for shipping and long-distance heavy duty trucks. The Zeebrugge Port Authority (MBZ) is currently finishing on the underwater structure of the second jetty, after which Fluxys LNG will start building the superstructure. The jetty is set to become operational in early 2015.

8. Name change

The extraordinary general assembly of 8 May 2012 decided to change the name of the company to Fluxys Belgium. The new name clarifies the company's field of activity within the Fluxys group. For the same reason, the parent company changed its name to Fluxys.

Parent company Fluxys coordinates the strategy and activities of the Fluxys group companies:

- Fluxys Belgium is the listed company responsible for regulated activities in Belgium: natural gas transmission and storage and – through subsidiary Fluxys LNG – terminalling of liquefied natural gas (LNG).
- Fluxys Europe is the umbrella company for the Fluxys subsidiaries active outside Belgium or active in non-regulated businesses in Belgium.
- Fluxys Finance centralises the management of cash funds and financing within the Fluxys group.



9. Future prospects

1 October 2012: introduction of new entry/exit system with Belgian price index, plus tariff reduction. Fluxys Belgium in cooperation with CREG and the market players is preparing to switch over to a unified entry/exit system on 1 October 2012 and set up a gas exchange, the Zeebrugge Trading Point. Fluxys Belgium expects ZTP to provide a robust price index for natural gas in Belgium, which can be used as a reference in supply contracts. On 6 July 2012, Fluxys Belgium submitted an amended tariff proposal to CREG with a view to keeping the prices for its transmission services competitive. If CREG approves the proposal, transmission tariffs will drop by around 6% from 1 October 2012, coinciding with the introduction of the new entry/exit system for transmission services.

LNG as a fuel for shipping and trucks. LNG as a fuel for shipping – both on the sea and on inland waterways – and heavy duty trucks has the potential to become an important market for natural gas in future. The development of this market ties in with the growth of our commercial activities and will generate investments in additional capacity.

10. Financial prospects for 2012

Net profit from regulated activities is primarily determined by the invested equity, the financial structure, and the interest rates (OLO). The recurrent dividend will continue to change depending on the development of these three parameters. The reduction in equity resulting from the pay-out of reserves in 2012 translates into a drop in profit. At the same time, return on the remaining equity improved as the financial structure moves towards a balance that is more in line with the regulatory framework. The current volatility of the financial markets doesn't allow for clear predictions on interest rates, whether positive or negative.

11. External audit

The statutory auditor has confirmed that based on his limited review, which has been worked through thoroughly, nothing has come to his attention that gives reason to believe that significant adjustments are required to the accounting information in this press release.

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