Fluxys Belgium press release

28 August 2013 – Regulated information

Results for the first half of 2013

Explanation of key events during the first half of 2013
and their impact on the financial situation of Fluxys Belgium

- **Sale of additional transmission and peak capacity to the United Kingdom and Germany**
- **Virtually all storage capacity sold despite stiff competition**
- **LNG truck loading services going from strength to strength**
- **Zeebrugge LNG terminal: good utilisation rate compared with other terminals in Western Europe**
- **€55 million investment in infrastructure**
- **Historically low interest rates affect authorised return and result**
- **Development of new markets for natural gas as a fuel in the transport sector**

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

1. Financial position: consolidated results for the first half of 2013

1.1 Introduction

General trend in profit. The majority of Fluxys Belgium's activities are regulated. The Group's operating profit is largely determined by invested equity, its financial structure and interest rates (10-year linear bonds issued by the Belgian State).

Historically low interest rates affect authorised return and result. The interest rates used as a benchmark for calculating authorised return on regulated assets are 10-year linear bonds issued by the Belgian State (OLO). The average OLO rate during the first half of 2013 (less than 2.5%) fell compared with that during the first half of 2012 and even compared with the annual average for 2012. The result has been a drop of €7.3 million in the net profit authorised by the regulator, all other components presumed to remain unchanged.

Reduction in invested equity and adjustment of the financial structure. The pay-out of Fluxys Belgium's available reserves of €421.6 million on 15 May 2012 enabled the Group to bring its financial structure more in line with the Belgian regulatory framework (1/3 equity to 2/3 liabilities).

The decline in equity as a result of this pay-out automatically prompted a drop in the net authorised result of €3.2 million compared with the first half of 2012. Had these reserves not been paid out, the net profit for the first half of 2013 would have been higher but the return on the remaining equity would have been less.

Tariff settlements approved by CREG. Each year, Fluxys Belgium and Fluxys LNG submit their tariff settlements for the previous financial year. The balances for regulated assets and liabilities as at the end of 2012 were determined by CREG in July 2013 for both Fluxys Belgium and Fluxys LNG. The effect of these decisions was recorded in the accounts for the first half of 2013.

Sale of Fluxys & Co. Since transportation by LNG tanker is not one of the Group's core activities, Fluxys Belgium decided to exercise its sale option with respect to GDF SUEZ. Accordingly, the company Fluxys & Co was sold on 18 January 2013 for a sum of €70 million. During the first half of 2012, Fluxys & Co contributed €2.9 million to the Group's net profit.

Accounting adjustment with retroactive effect: recalculation based on IAS 19 in relation to employee benefits. The entry into force on 1 January 2013 of amendments to IAS 19 (IAS 19R) meant that the Group's financial statements had to be corrected with retrospective effect. However, this recalculation only really entailed bringing the forecast rate of return on hedging instruments in line with the discount rate used to determine the actuarial debt.

The following items in the financial statements are affected by the adjustment:

- balance sheet: transfer of €396 thousand between other reserves and retained earnings as a result of the impact of IAS 19R on actuarial differences;
- income statement: from now on, the costs associated with the effects of the discounting will be presented on an offset basis with the anticipated return of the hedging instruments (no distinction made between income and expenditure);
- streamlining the assumptions used to calculate the anticipated rate of return and the discount rate results in a drop in the financial profit for the first half of 2012 of €257 thousand, a reduction in tax of €87 thousand and a fall of €170 thousand in net profit;

These corrections are offset by the recalculation of actuarial differences in respect of other items within the comprehensive income.

1.2 Summary consolidated income

Summary consolidated income		(in thousands of €)
	30.06.2013	30.06.2012 restated
Operating revenue	308,322	303,882
Other operating revenue	8,843	16,609
Raw materials, consumables and goods for resale	-46,166	-21,530
Services and other goods	-76,066	-89,236
Personnel expenses	-66,541	-61,714
Other operating expenses	-3,933	-3,519
Depreciations and amortisations	-69,973	-68,945
Provisions	16,416	14,837
Impairment losses	-419	-216
Profit from continuing operations	**70,483**	**90,168**
Change in the fair value of financial instruments	418	1,889
Financial income	1,423	3,540
Financial expenses	-27.016	-25.314
Profit from continuing operations after net financial results	**45,308**	**70,283**
Income tax expense	-15,745	-24,310
Net profit for the period	**29,563**	**45,973**
Fluxys Belgium share	29,563	45,973
Non-controlling interests	0	0
Basic earnings per share in €	0,4207	0,6543
Diluted earnings per share in €	0,4207	0,6543

1.3 Summary consolidated comprehensive income

Summary consolidated comprehensive income		(in thousands of €)
	30.06.2013	30.06.2012 restated
Net profit for the period	**29,563**	**45,973**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/losses on employee benefits	1,706	-5,722
Income tax expenses on other comprehensive income	-580	1,945
Other comprehensive income	**1,126**	**-3,777**
Comprehensive income for the period	**30,689**	**42,196**
Fluxys Belgium share	30,689	42,196
Non-controlling interests	0	0

Operating revenue. Operating revenue for the first half of 2013 totalled €308,322 thousand compared with €303,882 thousand during the first half of 2012 (increase of €4,440 thousand).

This revenue comprised for:
- €299,251 thousand (97.1%) regulated activities, namely the transmission and storage of natural gas and terminalling services for LNG in Belgium, which increased by €10,682 thousand compared with the same period in 2012. This increase is explained by the recharge of costs required to keep the grid balanced. However, excluding the recharge of these costs, revenue in this segment dropped slightly in view of the current economic circumstances and the reduction in tariffs of approximately 6% introduced for transmission services during in the second half of 2012. The drop has been limited thanks to the commercial efforts made as regards short-term sales of capacity.
- €9,071 thousand (2.9%) the company's other activities, i.e. a drop of €6,242 thousand compared with the first half of 2012. To recap, operating revenue in this segment during the first half of 2012 totalled €5,724 thousand derived from the company Fluxys & Co, which was sold in January 2013.

Profit from continuing operations. Operating profit during the first half of 2013 totalled €70.5 million compared with €90.2 million during the first half of 2012. The following factors in particular explain this decrease of €19.7 million:
- The drop in authorised return on regulated activities, resulting from the fall in the interest rate for linear bonds negatively influenced profit to the tune of €11.1 million (before tax)
- Moreover, €4.9 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
- The removal of Fluxys & Co from the scope of consolidation prompted a drop of €3.5 million before taxes in operating profit.

Net financial result. The net financial result is down €5.3 million on the figure for the first half of 2012. This decrease is mainly the result of the interest expense on the bond issued in May 2012 and the impact of which for a full half year was felt in 2013.

Income tax expense. This expense decreased by €8.6 million primarily as a result of a drop in profit after net financial results.

1.4 Summary consolidated balance sheet

ASSETS		(in thousands of €)
	30.06.2013	31.12.2012 restated
I. Non-current assets	2,469,191	2,492,625
Property, plant and equipment	2,403,972	2,416,548
Intangible assets	15,744	17,024
Other financial assets	2,682	3,962
Financial lease receivables	22,850	22,850
Loans and receivables	23,943	32,241
II. Current assets	379,958	484,598
Inventories	45,242	51,208
Finance lease receivables	1,227	2,453
Current tax receivables	6,089	1,064
Trade and other receivables	52,209	50,515
Short-term investments	36,569	48,541
Cash and cash equivalents	228,764	213,480
Other current assets	9,858	5,154
Assets held for sale	0	112,183
Total assets	2,849,149	2,977,223

Non-current assets. The drop in property, plant and equipment is due to investments (€55.3 million) during the first half of 2013, which were lower than the depreciation during the same period (€66.3 million). These investments were primarily in laying transmission pipelines (€19.1 million), compressor stations (€4.5 million), storage at Loenhout (€3.1 million) and work at the Zeebrugge LNG Terminal (€19.5 million), namely construction of the second jetty and of a facility to regasify LNG using the heat contained in seawater (Open Rack Vaporizer).

Current assets. Assets held for sale pertained to Fluxys & Co, which was sold in January 2013.

EQUITY AND LIABILITIES		(in thousands of €)
	30.06.2013	31.12.2012 restated
I. Equity	**746,329**	**828,062**
Equity attributable to the parent company's shareholders	746,329	828,062
Share capital and share premiums	*60,310*	*60,310*
Retained earnings and other reserves	*686,019*	*767,752*
Non-controlling interests	0	0
II. Non-current liabilities	**1,925,618**	**1,869,401**
Interest-bearing borrowings	1,522,278	1,458,093
Provisions	9,123	6,884
Provisions for employee benefits	43,009	47,686
Other non-current financial liabilities	570	990
Deferred tax liabilities	350,638	355,748
III. Current liabilities	**177,202**	**279,760**
Interest-bearing borrowings	74,803	91,129
Provisions	2,733	17,869
Provisions for employee benefits	3,068	3,341
Current tax payables	11,770	49,388
Trade and other payables	81,527	73,912
Other current liabilities	3,301	2,221
Liabilities related to assets held for sale	0	41,900
Total equity and liabilities	**2,849,149**	**2,977,223**

Current liabilities. €3.4 million of provisions for environmental activities and reinstatement of sites was used during the first half of 2013, while €8.1 million was written back. The latter was the result of the downwards review of the cost of dismantling the peak-storage facility at Dudzele. This write-back of provisions does not affect the profit for the period since it was factored into the tariff settlement and has thus been deducted from the regulatory receivable for 'Storage'. Payment of the balance of income tax for the year 2011 accounts for the reduction in tax payables. Liabilities in connection with assets held for sale pertained to Fluxys & Co, which was sold in January 2013.

Equity. The decrease in equity can be explained by the dividend paid for the previous financial year, 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 31.12.2012 restated	828,062	0	828,062
1. Comprehensive income for the period	30,689	0	30,689
2. Dividends paid	-112,422	0	-112,422
3. Changes in consolidation scope	0		0
4. Other variations	0		0
CLOSING BALANCE AS AT 30.06.2013	746,329	0	746,329

1.5 Summary consolidated cash flow

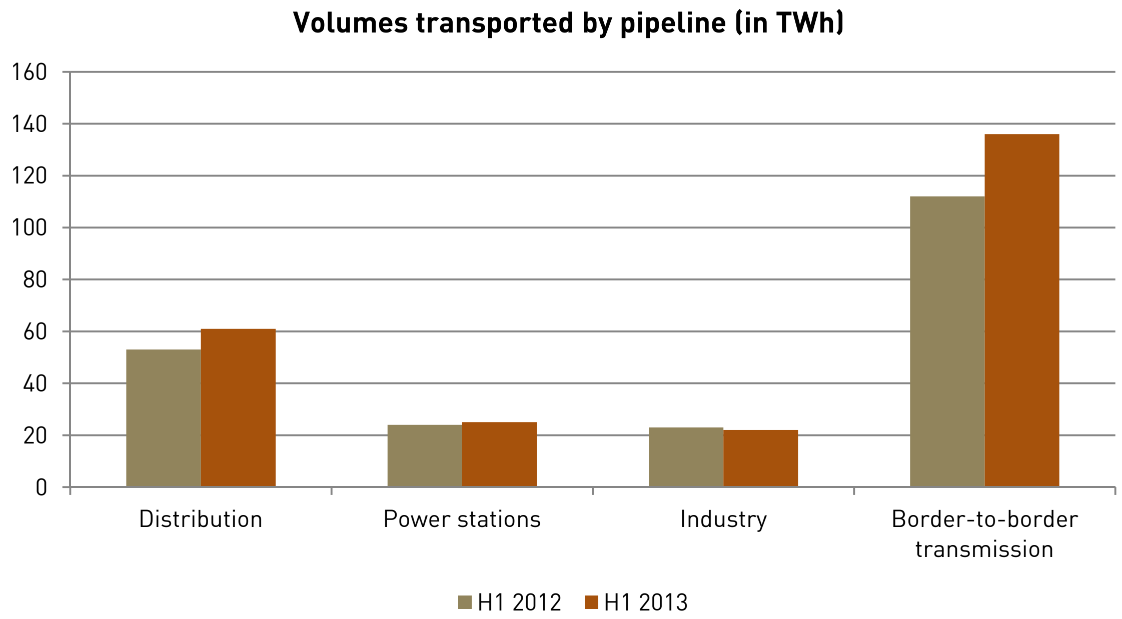
		(in thousands of €)
	30.06.2013	30.06.2012
Cash and cash equivalents at the start of the period	213,480	405,622
Cash flows from operating activities[1]	69,863	143,782
Cash flows relating to investing activities[2]	15,149	-54,542
Cash flows relating to financing activities[3]	-69,728	-305,535
Net increase/decrease in cash and cash equivalents	15,284	-216,295
Cash and cash equivalents at the end of the period	228,764	189,327

[1] Cash flows from operating activities also include changes in the working capital requirement. The difference in cash flows from operating activities compared with the second half of 2012 is mainly due to movements in working capital.
[2] This amount takes into account disinvestments, in particular the sale of Fluxys & Co for €70 million.
[3] These include dividends and reserves paid out. In 2012, these cash flows included reserves paid out by Fluxys Belgium, a movement which was partially offset by the issuance of a bond.

2. Activities and services

2.1 Transmission: increase in volumes

During the first half of 2013, Fluxys Belgium transmitted 15% more natural gas than during the same period in 2012. Transmission volumes for consumption on the Belgian market rose by 7%, while transmission volumes for other markets saw an increase of 22%.



Increase in transmission volumes for the Belgian market. The sustained period of cold weather in early 2013 played a major role in the increase in energy transmitted for consumption on the Belgian market (108 TWh compared with 101 TWh during the same period in 2012).

- Offtake by distribution system operators (56% of offtake in Belgium), who transmit natural gas on to SMEs and households, was up by 14%. This increase is mainly due to the lower temperatures experienced.
- Despite the difficult economic position of gas-fired power stations (23% of offtake in Belgium), they consumed 4% more than during the same period in 2012. This is due to the fact that during the sustained period of cold weather at the start of the year, gas-fired power stations partly substituted for the unavailable nuclear generation capacity.
- Industrial customers who are directly connected to the Fluxys Belgium grid (21% of offtake in Belgium) consumed 5% less due to the economic crisis.

Volumes transmitted to neighbouring countries also up. The volumes transmitted through Belgium to neighbouring countries (136 TWh) were also significantly higher than during the first half of 2012 (112 TWh) and were on a par with the same period in 2011.

- Unlike in previous years, in March 2013 large volumes were transmitted to the United Kingdom; normally natural gas flows in the opposite direction during this period of the year. This year however, very little LNG was being imported in the United Kingdom, stored LNG levels at the end of the winter period were very low and a number of sources were unavailable due to maintenance work.
- In late May and early June, demand for capacity to Germany peaked and sales of capacity via the Prisma platform rose (see below).

Traded volumes also on the rise. During the period January-June 2013, a total volume of 395 TWh was traded at the Zeebrugge Beach gas trading place, which is an increase of 7.5% compared with the same period in 2012. The average daily volume traded during the first half of 2013 was 2,184 GWh, compared with 2,020 GWh during the same period in 2012.

The new Belgian gas trading place ZTP has made a promising start, recording an average daily traded volume of 124 GWh during the first half of 2013, compared with 99 GWh during the final quarter of 2012.

European capacity platform Prisma off to a flying start. Since April 2013, Fluxys Belgium has been making capacity available also through the European platform Prisma, in which the Fluxys Group holds a stake of approximately 13%. The capacity on offer is bundled bi-directional capacity with neighbouring operators GTS (the Netherlands), GRTgaz (France), Gascade (Germany), Thyssengas (Germany), OGE (Germany) and our sister company Fluxys TENP (Germany). By the end of June, some 50 grid users had registered with Prisma for Fluxys Belgium's products. In general, there appears to be considerable interest in products offered via the platform, particularly in periods during which there are significant price differentials across European markets.

Fluxys Belgium remains one of the driving forces behind Prisma and is looking to develop the platform further in line with the new European Network Code *Capacity Allocation Mechanisms,* which will enter into force in 2016. The aim is to establish by spring 2014 a market for secondary capacity as well.

2.2 Storage: virtually all capacity sold despite stiff competition

The gas storage facility at Loenhout experienced particularly stiff competition for its yearly capacity services due to an increased offer of storage capacity on the market and other sources of flexibility in Europe. Accordingly, at the start of 2013 a more differentiated service package was developed in order to go along with market needs more effectively. The new approach enabled a major part of the remaining yearly capacity to be sold. Since then, Fluxys Belgium has been working with Belgian federal energy regulator CREG on making its storage services available via the ZTP trading place as well, and on aligning its service offer even more closely with market needs for the upcoming storage season.

2.3 LNG terminalling: success for truck loading services

Loading and unloading LNG carriers. During the first half of 2013, 18 ships were unloaded at the Zeebrugge LNG terminal compared with 23 during the same period in 2012. These 18 vessels carried a combined total of over 1 million tonnes of LNG from Ras Laffan in Qatar. Of the 18, four were Q-Flex-type ships, one of the largest types of LNG carrier in the world.

The trend of rising numbers of ships being loaded with LNG in 2012 is continuing in 2013. Due to high LNG prices in Asia the loading services on offer at the Zeebrugge LNG terminal have been well used: 10 vessels were loaded with over 0.5 million tonnes of LNG during the first half of 2013 (compared with 13 during the same period in 2012).

Success for truck loading. Since June 2010, in addition to ships, trucks can also be loaded at the Zeebrugge LNG terminal. Use of the truck loading services is continuing to rise: during the first half of 2013 a total of 256 trucks were loaded with LNG, compared with 142 during the same period in 2012. These figures confirm the attractiveness of the Zeebrugge facility as one of the most active LNG terminals in northwest Europe.

3. Investment in infrastructure

3.1 €55 million invested in infrastructure projects during the first half of 2013

Fluxys Belgium currently plans to invest €97 million in infrastructure projects in 2013 and invested a total of €55.3 million during the first half of the year.

- **Pipeline between Ben-Ahin and Bras to be commissioned in September.** To be able to meet growing demand for natural gas from households and SMEs in the province of Luxembourg, since late 2012 Fluxys Belgium has been working to increase capacity in the pipeline connecting into the Grand Duchy of Luxembourg. The existing pipeline between Ben-Ahin and Bras has been replaced with a new, larger-diameter pipeline, and the pipeline as a whole is due to come into service in September 2013.
- **Construction of a second jetty at the Zeebrugge LNG terminal on schedule.** 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 m³ of LNG will be able to berth at this new jetty. The Zeebrugge Port Authority has built the underwater structure and in October 2013 Fluxys LNG will commence work on the superstructure once the wind turbines along the embankment have been dismantled (having wind turbines so close the jetty poses a safety risk). The jetty is due to come into service in 2015.
- **Open Rack Vaporizer ready for testing.** Since 2010, Fluxys LNG has been working on extending the regasification installations at the LNG terminal by building an Open Rack Vaporizer. The equipment is now ready for testing and will soon be brought online to use the heat contained in seawater for converting LNG into natural gas.
- **Infrastructure for adjusting the composition of natural gas scheduled to be ready for use by September 2013.** Due to the growing diversity of natural gas sources and the routes between source and end consumer, the composition of natural gas nowadays shows greater variety than it used to. The infrastructure used for adjusting the composition of natural gas has therefore been expanded

with additional installations in Zeebrugge. The storage tank for liquid nitrogen at the former peak shaving facility, for example, has been recommissioned. The new equipment should be ready for use in September 2013.

3.2 10-year indicative investment programme

During the period 2009-2012, Fluxys Belgium invested approximately €1 billion in its infrastructure for transmission, storage and LNG terminalling to further consolidate Belgium's position as crossroads of international gas flows, foster security of supply, and pave the way for further growth in market liquidity. Taking into account the current economic climate and future import flows, the company has optimised its indicative investment programme with a view to investing as efficiently as possible. Following a period of record investment, spending levels are returning to normal, with the indicative programme for the period 2014-2023 representing approximately €865 million of investments.

In view of the difficult investment climate for new gas-fired power stations, the indicative investment programme currently includes no projects to connect new such power stations to the grid. However, the Belgian government on the proposal of Secretary of State Wathelet recently approved a plan making provisions for measures to stimulate investment in new gas-fired power stations and Fluxys Belgium will of course be adapting its programme as soon as concrete projects surface.

4. New markets

Due to its favourable characteristics in terms of environmental and health impact, there is considerable potential for natural gas as a transport fuel. As such, Fluxys Belgium is working on a number of projects to help natural gas gain more of a foothold in the transport sector.

Private cars, vans and commercial vehicles: CNG. Over 1 million vehicles in Europe currently run on compressed natural gas (CNG), with Italy and Germany topping the table. In other countries such as Belgium, in which the CNG market is not as developed, switching to CNG offers considerable potential for reducing emissions. With this in mind, Fluxys Belgium is working with distribution system operators to research concrete projects to determine how best to invest in CNG filling stations.

Ships and long-haulage trucks: LNG. To pave the way for LNG as a fuel in the transport sector, Fluxys LNG is also developing the Zeebrugge terminal into a hub for small-scale LNG. The second jetty currently under construction will accommodate loading of small LNG carriers to enable them to supply LNG to other ships or intermediate storage facilities. Small LNG carriers can be used to transport LNG from Zeebrugge to all ports in Belgium and northwest Europe, and terminal users have already booked capacity on the second jetty to load over 200 small ships. Furthermore, Fluxys Belgium is working with Belgian ports, the Flemish government and various other companies on research into how to further develop the basic infrastructure for supplying LNG as fuel for ships.

Developing the necessary infrastructure for refuelling is also a challenge in paving the way for LNG as fuel for long-haulage trucks. Fluxys Belgium is working with a haulage company on a pilot project to build the first LNG filling station in Belgium. The final investment decision is expected to be taken in the autumn of 2013 and other potential partners have already expressed interest in developing further LNG filling stations.

5. Financial prospects for 2013

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 current volatility of the financial markets doesn't allow for clear predictions on interest rates or, consequently, on the return on regulated activities.

If the interest rate on 10-year OLOs remains at its current level and barring unforeseen circumstances, Fluxys Belgium anticipates that it will not be able to pay out the same dividend as in 2012.

6. External audit

The statutory auditor has confirmed that based on his audit, 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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