

## Fluxys Belgium press release

20 September 2017 – Regulated information

### Results for the first half of 2017

Information on key events in the first half of 2017  
and their impact on the financial situation of Fluxys Belgium

- Turnover up, mainly due to the start of contracts for gas transmission between Dunkirk and Zeebrugge
- Slight upturn in interest rates has positive impact on the Group's results
- €36.0 million in investments, mainly in the fifth storage tank and second jetty at the LNG terminal in Zeebrugge
- Fluxys Belgium's infrastructure: key role on the North-Western European market
- Offtake by gas-fired power stations increases by nearly one quarter
- Belgian gas trading places continue to thrive: ZTP up 46%
- Small-scale LNG remains successful and natural gas as a fuel for transport continues to rise

### 1. Key financial figures

Income statement	(in € thousand)	30/06/2017	30/06/2016
Operating income		250,708	237,760
EBITDA*		139,810	128,819
EBIT*		59,322	53,975
Net profit		22,898	19,682
Balance sheet	(in € thousand)	30/06/2017	31/12/2016
Investments in property, plant and equipment		36,008	139,219
Total property, plant and equipment		2,279,179	2,321,123
Equity		638,436	694,352
Total consolidated balance sheet		2,945,443	2,989,171

\*EBIT: Earnings Before Interest and Taxes

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

**Turnover for the first half of 2017: €250.7 million.** The Fluxys Belgium group realised a turnover of €250.7 million in the first half of 2017, up 5.4% on the same period in 2016, when turnover was €237.8 million. This increase is mainly due to the contracts for capacity sales between Dunkirk and Zeebrugge, which started once the Dunkirk LNG terminal went into operation.

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**Efficiency efforts in line with regulated tariff model.** The tariff proposal for the regulatory period 2016-2019 includes a new reference framework for Fluxys Belgium, specifically for allowed manageable costs. By managing its operating costs and pursuing its efficiency efforts, the Fluxys Belgium group met the new regulatory objectives and was able to benefit from stimuli.

**Slight upturn in interest rates has a positive impact on the group's net result.** The average expected OLO rate for the period is 0.77% compared to 0.41% in the first half of 2016. The increase is having a positive impact on the return authorised by regulation on invested capital. Due to the slight increase in interest rates and the efficiency efforts, the net result for the first half of 2017 (€22.9 million) rose by €3.2 million compared to the same period in 2016 (€19.7 million).

**€36.0 million in investments.** In the first half of 2017, the Fluxys Belgium group invested €36.0 million of its 2017 investment budget of €103 million. These investments pertained mainly to LNG infrastructure projects at the Zeebrugge terminal, specifically the construction of a fifth LNG storage tank and additional facilities and finalising expenditure for the second jetty. In addition, Fluxys Belgium is making the appropriate modifications in order to prepare for the gradual conversion from L gas from the Netherlands to H gas from other sources. Accordingly, some 15 businesses connected to the distribution grid in Antwerp have been converted to H gas.

## 2. Key events

**Offtake by gas-fired power stations increases by nearly one quarter.** With part of the other generating units in Belgium and abroad temporarily unavailable in the first few months of the year, gas-fired power stations once again demonstrated their central role in security of supply for electricity. Gas-fired power stations for that matter operated significantly more throughout the first half of 2017 compared to the same period last year: consumption was up 24%.

Natural gas transmission to industry remained at approximately the same level as in the first half of 2016. In the distribution segment grid operators annually connect around 50,000 new consumers. These new connections offset falling average consumption by homes and businesses due to the increasing energy efficiency of homes, offices and commercial spaces. Compared to the first six months of 2016, temperatures in the same period were milder in 2017, resulting in a slight drop in offtake by the distribution segment. For all consumption segments combined, transmitted volumes for the Belgian market rose 4% to 97 TWh.

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**Fluxys Belgium infrastructure: key role in meeting new flexibility requirements on the UK and North-Western European market.** The largest natural gas storage facility in the United Kingdom has been unavailable since last year and this development brings major shifts in flexibility requirements on the greater North-Western European market. Against this backdrop, in comparison with the first half of last year, the volumes transmitted by Fluxys Belgium from border to border rose by more than 30% to 144 TWh. Imports and exports from and to the United Kingdom and Germany rose sharply and exports to the Netherlands also increased significantly. As for storage, the new flexibility requirements also allowed that Fluxys Belgium to sell all short-term capacity still available for the 2017-2018 storage season.

**Belgian gas trading places continue to thrive: ZTP up 46%.** Volumes traded on the Belgian gas trading places were up 14% compared to the first half of 2016. Traded volumes on the Zeebrugge Beach gas trading place rose 5% to 370 TWh, while volumes traded on the ZTP gas trading place rose by nearly half to 142 TWh (+46%). Another positive trend is that on ZTP a rising proportion of natural gas is traded in monthly packages. Following on from this, a ZTP monthly index is available since September, allowing suppliers and end-users to link their gas contracts to the ZTP gas price. As it goes, the Belgian ZTP gas price has been more advantageous than prices on gas trading places in neighbouring countries in 85%-95% of the time.

**Small-scale LNG remains successful.** In addition to terminalling large LNG volumes, the Zeebrugge LNG Terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG.

- The number of loading operations involving small LNG vessels increased slightly. A new element consisted of loading operations for the bunker vessel *Engie Zeebrugge* in which parent company Fluxys is a partner and whose home port is Zeebrugge.
- The number of LNG tanker-truck loading operations continued on the same level, despite the launch of similar services at other terminals in North-Western Europe. With a view to making sure it can keep responding to demand in future, a second loading station will be built at the terminal in 2018. The project is receiving financial support from the European Commission.

**Natural gas as a transport fuel continues to rise.** The commissioning of the second jetty at the Zeebrugge LNG Terminal in late 2016 marked a milestone in the further development of natural gas as a marine fuel. Small vessels such as the LNG bunker ship *Engie Zeebrugge*, can now also berth at the terminal to load LNG and supply LNG-powered ships. In the first few months of 2017 two LNG-powered ships were commissioned in Zeebrugge that are supplied from the LNG terminal with the bunkering vessel.

In road transport, too, natural gas as an alternative fuel continues to trend in a positive direction. Various initiatives taken by Fluxys Belgium, Gas.be (formerly the Royal Association of Belgian Gas Companies), distribution system operators, filling-station operators, automotive manufacturers and the public authorities are paying off: the number of registered natural gas-powered vehicles in the first half rose from 4,500 to 7,100 and the number of filling stations will, according to the current schedule, reach the 100-mark by the end of this year.

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**Transmission tariffs drop by an average of 7.5% in 2018.** On 1 January 2018 tariffs for the transmission of natural gas will decrease for the third time in five years, which will have a positive impact on gas bills for homes, businesses and large enterprises. This tariff reduction is the result of ongoing efficiency efforts by Fluxys Belgium and lower interest rates. These two factors prompted Fluxys Belgium and CREG to agree to start the procedure for lowering natural gas transmission tariffs for the period 2018-2019. The tariff reduction and non-indexation of tariffs on 1 January 2018 jointly result in a transmission cost reduction of approximately 7.5%. The reduction in transmission tariffs effective 1 January 2018 will not have a negative impact on the results of Fluxys Belgium, which depend to a large extent on the regulated authorised return.

**Refinancing of the debenture maturing in the first half of 2018.** A €350 million debenture will mature in the first half of 2018. Fluxys Belgium is considering refinancing the debenture in the second half of 2017.

### 3. Main risks and uncertainties for the second half of 2017

The risks and uncertainties facing Fluxys Belgium have had no significant evolution since the closing of the 2016 financial year (see the section on Risk Management in the 2016 annual financial report, pages 232-240). Fluxys Belgium continues to monitor developments and takes appropriate action.

### 4. Transactions with related parties

For more information on transactions with related parties, please refer to Note 12 in the condensed half-yearly financial statements.

### 5. Financial outlook for 2017

Net profit from Belgian regulated activities is determined by the various regulatory parameters, including equity invested, financial structure and interest rates (OLOs).

The recurring dividend will continue to evolve depending on these three parameters. The current situation on the financial markets means that it is not possible to make accurate forecasts of the trend in interest rates and thus the profit on regulated activities.

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**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 half-yearly accounting information in this press release or in the half-yearly report.

**7. Half-yearly financial report available**

The Fluxys Belgium half-yearly financial report – including the condensed financial statements – is available in French and Dutch [on the Fluxys Belgium website](#).

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