

Fluxys Belgium press release

26 September 2018 – Regulated information

Results for the first half of 2018

Information on key events in the first half of 2018 and their impact on the financial situation of Fluxys Belgium.

- Regulated turnover remains constant
- Net profit totals €24.3 million (€22.9 million during the first half of 2017)
- Investments: €52.9 million, mainly relating to the construction of the fifth tank at Zeebrugge LNG terminal
- Fluxys Belgium's infrastructure confirms its role as a crossroads for the natural gas market in North-Western Europe
- Natural gas consumption on the Belgian market remains stable
- Activity increases at Zeebrugge LNG terminal
- First transshipment of LNG directly between two vessels
- Energy transition: innovative gas applications gain ground
- First successful large-scale L/H conversion
- New tariff methodologies applicable from 2020 onwards

1. Key financial data

Income statement	(in thousands of €)	30.06.2018	30.06.2017
Operating revenue		250,077	250,708
EBITDA *		135,081	139,810
EBIT *		58,936	59,322
Net profit		24,356	22,898
Balance sheet	(in thousands of €)	30.06.2018	31.12.2017
Investments in property, plant and equipment for the period		52,850	83,354
Total of the property, plant and equipment		2,230,116	2,250,659
Equity		667,007	713,795
Net financial debt*		913,689	950,528
Consolidated balance sheet assets		2,932,271	3,290,873

- * EBIT: Earnings Before Interests and Taxes or profit/loss from continuing operations, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.
- * EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortization or profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.
- * Net financial debt: Interest-bearing liabilities net of regulatory liabilities, non-current debt-related loans, cash from early refinancing operations and 75% of the balance of cash, cash equivalents and non-current and current cash investments.

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Turnover for the first half of 2018: €250.1 million. The Fluxys Belgium group generated a turnover of €250.1 million in the first half of 2018, in line with the €250.7 million generated over the same period in 2017. The evolution in the regulated turnover is due to the stability of the different components to be covered by the regulated tariffs.

Efficiency efforts in line with the regulated tariff model. The tariff proposal for the 2016-2019 regulatory period sets out a new reference framework for Fluxys Belgium, specifically for authorised manageable costs. By managing its operating costs and continuing its efficiency drive, the Fluxys Belgium group achieved these regulatory objectives and benefitted from incentives.

Continuing low interest rates affecting the group's net profit. The average OLO rate expected for the period totals 0.75% in 2018 compared to 0.77% during the first half of 2017.

€52.9 million in investments. In the first half of 2018, investments in property, plant and equipment amounted to €52.9 million compared to €36.0 million in the same period in 2017. Of this amount, €45.4 million went to LNG infrastructure projects (mainly the construction of the fifth LNG storage tank at Zeebrugge LNG terminal) and €6.9 million went to transmission projects.

Adoption of standards IFRS 9 and 15. The adoption of standards IFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers) has no tangible impact on the group's financial statements as at 30 June 2018. This impact is documented in the condensed half-yearly financial statements (see Note 1.d).

2. Key events

Fluxys Belgium's infrastructure confirms its role as a crossroads for the natural gas market in North-Western Europe. With the closure of the UK's largest storage site, large volumes of natural gas must be transported from other storage facilities in North-Western Europe to meet winter demand on the UK market. In this market setting, Fluxys Belgium once again demonstrated its role as a crossroads: during the first six months of 2018, the Belgian grid transmitted around 144 TWh of natural gas from border to border, matching the already high volume seen during the same period in 2017.

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Sales of border-to-border transmission capacity: the shift towards a short-term market continues. The market for border-to-border transmission capacity sales is still shifting towards the short term. Customers wishing to book additional capacity or having long-term contracts coming to an end prefer short-term contracts. An important package of long-term contracts will expire in October 2018 and Fluxys Belgium is ready to swiftly respond to the short-term market dynamics with a proactive commercial approach.

Natural gas consumption on the Belgian market remains stable. The transmitted volumes for the Belgian market (98 TWh) were virtually identical to those for the same period in 2017. Transmission to distribution system operators (54 TWh) rose by 4%, while consumption at industrial sites directly connected to the grid (24 TWh) increased by 10%, largely due to a new connection in the Port of Antwerp established in the second half of 2017. In contrast, transmission for natural gas-fired power plants (20 TWh) fell by 15%: volumes of imported electricity increased considerably, and the quantity of electricity generated from renewable sources was also on the rise.

Activity increases at Zeebrugge LNG terminal. Ship traffic for the terminalling of large volumes of LNG at the Zeebrugge terminal rose during the first half of 2018 compared to the same period in 2017. In May, the terminal rolled out its new service of direct LNG transshipments between two vessels. The increase in activity seen during the first half of the year continued in July and especially in August, a record month for the terminal in terms of ship traffic.

In addition to the terminalling of large volumes of LNG, the Zeebrugge terminal also offers a range of services associated with the emerging small-scale LNG market: LNG used as an alternative fuel for vessels and trucks or as fuel for industrial customers not in the vicinity of a natural gas pipeline system. The number of operations involving the loading of small LNG carriers and LNG trailers remained stable compared to the first half of 2017. In order to continue efficiently meeting demand for the loading of LNG trailers in the future, the terminal will commission a second loading bay in autumn. The second loading bay project receives financial support by the European Commission.



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

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Updated tariff proposal Fluxys LNG. On 28 June, the updated tariff proposal of Fluxys LNG has been approved by federal energy regulator CREG. In the updated proposal the tariffs for existing services remain the same and tariffs were added to include the new services for small-scale berthing rights and residual storage. This tariff proposal has no impact on the compensation model of Fluxys LNG. The profile of the regulated return is updated based on the realised or to be realised investments.

Innovative gas applications gain ground. Compared to other fossil fuels, natural gas releases far fewer greenhouse gas emissions (CO₂) and emissions that are detrimental to air quality (fine particles, NO_x and SO_x). As such, replacing petrol, diesel, (heavy) fuel oil or coal with natural gas delivers immediate results. The same goes for green gas, which reduces greenhouse gas emissions even more than natural gas. Green gas is a generic term: it can refer to biogas or biomethane from organic waste and to green hydrogen or synthetic natural gas produced by converting green electricity.

- **Natural gas continues to be a successful alternative fuel in the transport sector.** Natural gas used as an alternative fuel continues to gain ground in the road transport sector. During the first half of the year, the number of CNG vehicles in Belgium rose from 9,000 to over 12,000, while the number of CNG filling stations increased from 90 to more than 100. The number of vessels using LNG as fuel in European waters is also continuing to rise, a trend confirmed by the number of LNG-powered vessels on order.
- **Biomethane in the natural gas infrastructure.** Fluxys Belgium is working together with Belgium's gas sector on solutions to allow local producers of biomethane to sell their green gas anywhere. Anyone wishing to purchase green gas will soon be able to do so as easy as it is to buy green electricity.
- **Power-to-gas industrial project under way.** Parent company Fluxys, Eoly (part of the Colruyt Group) and Parkwind have launched a collaboration project to study the construction of an industrial-scale power-to-gas facility. This type of facility converts green electricity into green hydrogen, which can be transmitted and stored in the existing natural gas infrastructure, thus decarbonising natural gas as energy for heating, transport and industry. The power-to-gas project receives support from the Belgian federal Energy Transition Fund.



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First large-scale L/H conversion successful. Between 2024 and 2030, the Netherlands will progressively phase out exports of low-calorific natural gas to Belgium. Fluxys Belgium and the distribution system operators are proactively switching end-users of low-calorific natural gas to high-calorific natural gas. Following on from a number of small conversion projects implemented in recent years, the first large-scale conversion took place in June 2018. Fluxys Belgium modified its grid with a view to converting several directly connected industrial end-users and a section of the distribution systems. Distribution system operators Infrax, Eandis and RESA in the process converted around 53,000 households and SMEs. Fluxys Belgium and the distribution system operators are also ready to continue the conversion as scheduled, with completion planned for 2029.

3. Main risks and uncertainties for the second half of 2018

The risks and uncertainties facing the Fluxys Belgium group have not changed significantly since the closing of the 2017 financial year (see Risk Management in the 2017 annual financial report, pages 133-142). 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

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

The recurring dividend will continue to evolve based on the development of these three parameters in particular. The current financial markets do not allow for accurate projections regarding changes to interest rates and, therefore, the return on regulated activities.

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

- The system ensuring that tariffs cover all reasonable costs (including interest and fair margin) continues to apply.
- The calculation of fair margin has been refined to strengthen stability. As such, the risk-free interest rate is no longer adjusted on an annual basis. It is now set in advance for the entire regulatory period. In addition, the regulatory ratio between equity and borrowed capital is changing from 33%/67% to 40%/60%.
- In addition to incentives to control costs, new incentives have been introduced to monitor a number of company performance criteria. The share of the achieved cost savings to be attributed to the company has been reviewed and as a consequence the potential additional gains will be more limited.

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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