

Fluxys Belgium press release

26 September 2023 18:00 CET – Regulated information

Results for the first half of 2023

Information on key events in the first half of 2023
and their impact on the financial situation of Fluxys Belgium

- Regulated turnover rose to € 309.3 million (first half of 2022: € 287.4 million) and net profit falls to € 34.5 million (first half of 2022: € 41.1 million)
- High volumes to Germany and the Netherlands continue
- Additional transmission capacity to come on-stream by the end of this year
- Storage totally full
- Zeebrugge–Brussels line ready for hydrogen
- Preparing hydrogen and/or CO₂ transmission capacity to come on-stream in 2026
- Candidate for operating hydrogen and CO₂ grids
- On track for our own climate neutrality
- Tariff reduction extended to 2024-2027

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Key financial data

Income statement (in thousands of €)	30.06.2023	30.06.2022
Operating revenue	309.286	287.430
EBITDA*	153.359	153.577
EBIT*	66.123	72.623
Net profit	34.534	41.111
Balance sheet (in thousands of €)	30.06.2023	31.12.2022
Investments in property, plant and equipment	70,287	105 525
Total property, plant and equipment	1,825,674	1 855 375
Equity	569,444	643 617
Net financial debt*	365,199	493 800
Total consolidated balance sheet	3,248,127	3 406 570

* For the definitions and rationale for using these indicators: see annex on p. 8.

Turnover and net profit

The Fluxys Belgium Group generated turnover of € 309.3 million in the first half of 2023. This represents an increase of € 21.9 million compared with the same period in 2022 (€ 287.4 million). Net profit decreased from € 41.1 million to € 34.5 million in line with the tariff model.

The change in regulated turnover and net profit is mainly due to the evolution of the different components to be covered by the regulated tariffs. The tariff methodology stipulates that reasonable operating costs should be covered by revenue. Inflation has increased those costs over the past six months. That increase has in turn led to higher turnover. The decrease in net income is in line with the tariff methodology and the fair margin stipulated therein for the LNG terminal.

Investments totalling €70.3 million

In the first half of 2023, investments in property, plant and equipment amounted to € 70.3 million, compared with € 35.2 million in the first half of 2022. € 30.3 million of these investments went to LNG infrastructure projects and € 39.7 million to transmission projects.

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Key events

Infrastructure and employees working 24/7 to ensure security of supply

The geopolitical situation in Ukraine has significantly changed the dynamics of the gas markets and the direction of flows. Demand to send natural gas from Belgium to Germany and the Netherlands remained high in the first half of the year and our commercial and operational staff are doing their very best to ensure our essential service to society even during these challenging times.

Our Belgian grid has once again cemented its role as an energy hub in North-West Europe. Zeebrugge is an important gateway for both natural gas via pipelines and LNG via ship.

High volumes to Germany and the Netherlands continue

Volumes transmitted in the grid increased slightly by 2% compared to the first half of 2022. Border-to-border volumes were up 4.8% to 203 TWh, while volumes for consumption on the Belgian market dropped slightly to 84 TWh (compared to 88 TWh in 2022).

Flows to Germany rose to 124 TWh (compared to 113 TWh in 2022) and those to the Netherlands were 60 TWh (compared to 64 TWh in 2022).

Additional transmission capacity to come on-stream by the end of this year

Given the context of changing flows, we are upgrading the Zeebrugge-Brussels route by building an additional pipeline in parallel with the existing line. This will boost our capacity to carry natural gas inland from Zeebrugge and at the same time allow us to maintain high flows to neighbouring countries. For Belgium, the extra capacity is needed for the new gas-fired power stations set to commission and because, after 2024, no low-calorific gas from the Groningen field in the Netherlands will flow to the Belgian market. This new pipeline is being constructed as a multi-molecule pipeline, fully suitable for the energy transition and the future transport of H₂.

As planned, we will commission the Ghent (Desteldonk)–Brussels (Opwijk) section in late 2023. This extension will increase transmission capacity from Zeebrugge by 15 GWh/h, equivalent to the energy generated by 15 nuclear reactors. We are now making all necessary preparations for the second phase of the works for the connecting section

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between Zeebrugge and Ghent (Desteldonk). This additional pipeline will expand transmission capacity from Zeebrugge by another 5 GWh/h, equivalent to the energy generated by 5 nuclear reactors.

Storage totally full

The European Union requires Belgium and the other EU member states to ensure, by 1 November each year, their gas storage facilities are at least 90% full so they can go into the winter with buffers filled as much as possible. Our underground storage facility in Loenhout – the only one in Belgium – was totally full by 1 September.

All set for the multi-molecule grid of the future

Zeebrugge–Brussels line ready for hydrogen

The new Zeebrugge–Brussels line is our first concrete step in our ambition to accelerate the energy transition. It is completely future-proof and can be used to carry hydrogen, depending on demand. This is part of our efforts to extend today's security of supply options into the future, when hydrogen will be essential for decarbonising society.

We are systematically building up a multi-molecule grid for the molecules of the future, all in close consultation with industry throughout the country. With our hydrogen and CO₂ infrastructure, we aim to support companies' decarbonisation plans as much as possible. Hydrogen will be transmitted and CO₂ exported via the backbone.

Preparing hydrogen and/or CO₂ transmission capacity to come on-stream in 2026

We are doing everything we can to ensure we can start transmitting hydrogen and/or CO₂ for industry in 2026. The relevant investment decisions are being prepared in full.

By also building connections with neighbouring countries, we aim to strengthen Belgium's role as an energy crossroads, i.e. as an international hydrogen and CO₂ hub for the economy in both Belgium and North-West Europe. We are doing this by entering into cross-border partnerships with transmission system operators in the Netherlands, France and Germany. At the Belgian-German energy summit in Zeebrugge early this year, both countries agreed to further enhance their energy cooperation, by, among other things, building a pipeline corridor to facilitate hydrogen transmission between Belgium and Germany.

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As Fluxys Belgium prepares developing a transmission grid for both hydrogen and CO₂, parent group Fluxys is working to develop terminals for hydrogen import and CO₂ export.

Candidate for operating hydrogen and CO₂ grids

Belgium is leading the way with a regulatory framework for hydrogen. In July, the federal parliament approved the hydrogen law. A hydrogen network operator (HNO) will be appointed early next year to develop and operate the open-access transmission network.

Regulations for CO₂ are also in the pipeline. The regions are working on legislation and will appoint one or more CO₂ transmission system operators.

Fluxys Belgium is preparing to apply as the operator for both the hydrogen and CO₂ transmission network.

On track for our own climate neutrality

As a company, we aim to be climate-neutral by 2035. We are on track to reach our first milestone: halving greenhouse gas emissions by 2025. In the fourth quarter of 2023, we will take a major new step forward at our LNG terminal in Zeebrugge. We are commissioning three additional open-rack vaporisers (ORVs) that use the heat from seawater to convert LNG back into gaseous form. These units replace traditional heating installations and result in much more efficient energy consumption and significantly lower CO₂ emissions at the terminal. With these additional ORVs, we will drastically reduce total CO₂ emissions next year with equal throughput volumes.

Tariff reduction extended to 2024-2027

Federal energy regulator CREG has approved the new transmission tariffs for the 2024-2027 regulatory period. In addition, the 10% tariff reduction granted in July 2022 has been extended. This means the lower transmission tariff will be maintained in 2024-2027. The tariff reduction has no impact on Fluxys Belgium's results.

This favourable trend in transmission tariffs is mainly due to the additional capacity sales to support security of supply in Germany and the Netherlands. The extra revenues from these additional sales do not benefit the company's shareholders. As stipulated by regulatory provisions, those extra revenues are kept aside in the adjustment account. They are now being used, according to the CREG decision, to extend the 2022 tariff

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reduction for the next four years and for investments strengthening security of supply and supporting the energy transition.

Transactions with related parties

For more information on transactions with related parties, please refer to Note 11 in the condensed half-yearly financial statements in the half-yearly financial report 2023.

Financial outlook

Under the 2020-2023 tariff methodology, net profits from Belgian regulated activities are determined based on various regulatory parameters, including equity invested and financial structure, as well as additional permitted return if we achieve certain targets for cost savings and/or emission reductions.

The recurring dividend will continue to evolve, primarily based on these three parameters.

Based on the information available at the time of this report, it is extremely difficult to anticipate the impact of the war in Ukraine on the economy.

In light of the current understanding of the situation, the essential nature of the company's activities and its regulatory framework, at present we do not anticipate any significant changes to the consolidated result of the Fluxys Belgium group in 2023 and it will evolve in line with the above-mentioned tariff proposals. The group's activities are regulated and the increased volumes handled in our infrastructure do not bring additional profit to shareholders.

Main risks and uncertainties for the second half of 2023

The expected risks and uncertainties for the second half of 2023 have not changed significantly compared to the risk reporting in the Annual Financial Report 2022. See the 'Risk Management' section in the Half-yearly financial report 2023 for more information.

Impact of the war in Ukraine

Since the war in Ukraine started in February 2022, various sanctions have been declared against Russia and Belarus, as well as against Russian and Belarusian companies. Fluxys Belgium group in this context is not active in the Russian market nor has investments in Russian companies. Fluxys Belgium group sees no indications for impairment.



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In its activities Fluxys Belgium group does business with Russian companies in accordance with European and national gas regulations and fully complies with the sanction regime that has been adopted. Fluxys Belgium's infrastructure for terminaling, transmission and storage of natural gas is also legally founded on the principle of open access in line with the regulated framework.

Given the regulated nature of its business, net income of the Fluxys Belgium group has very limited downward sensitivity to volumes. Depending on how the war develops and the duration and the extent of the sanctions, Fluxys Belgium group may face temporary adverse cash income effects if customers were to default on payments for capacity they booked.

Fluxys LNG is the entity that has the largest exposure to Russian gas flows through long-term contracts. To date there are no changes to the regular flows, nor to payments.

Half-yearly financial report available

The Fluxys Belgium Half-yearly financial report 2023, including the condensed financial statements, is available on the [Fluxys Belgium website](#).

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About Fluxys Belgium

Fluxys Belgium is a Euronext listed subsidiary of energy infrastructure group Fluxys headquartered in Belgium. With 900 employees the company operates 4,000 kilometers of pipeline, a liquefied natural gas terminal totalling a yearly regasification capacity of 9 billion cubic meters and an underground storage facility.

As a purpose-led company, Fluxys Belgium together with its stakeholders contributes to a better society by shaping a bright energy future. Building on the unique assets of its infrastructure and its commercial and technical expertise, Fluxys Belgium is committed to transporting hydrogen, biomethane or any other carbon-neutral energy carrier as well as CO₂, accommodating the capture, usage and storage of the latter.

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Annex: Definition of indicators

EBIT – Earnings Before Interest and Taxes: operating profit/loss from continuing operations plus the result of investments accounted for by the equity method and the dividends received from unconsolidated entities. EBIT is used to monitor the operational performance of the group over time.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation: operating profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, plus the result of investments accounted for by the equity method and the dividends received from unconsolidated entities. EBITDA is used to monitor the operational performance of the group over time, without considering non-cash expenses.

Net financial debt: Interest-bearing liabilities (including leases), less regulatory liabilities, non-current loans linked to debts, cash linked to early refinancing transactions and 75% of the balance of cash, cash equivalents and short- and long-term cash investments (the other 25% is considered as reserve for operational needs and therefore not available for investments). This indicator gives an idea about the amount of interest-bearing debt that would remain if all available cash would be used to reimburse loans.

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Consolidated income statement (in thousands of €)	30.06.2023	30.06.2022
Operating profit/loss	66.123	72.623
Depreciation	81.269	82.472
Provisions	562	-1.517
Impairment losses	5.405	-1
Earnings from associates and joint ventures	0	0
Dividends from unconsolidated companies	0	0
EBITDA	153.359	153.577

Consolidated income statement (in thousands of €)	30.06.2023	30.06.2022
Operating profit/loss	66.123	72.623
Earnings from associates and joint ventures	0	0
Dividends from unconsolidated companies	0	0
EBIT	66.123	72.623

Consolidated balance sheet (in thousands of €)	30.06.2023	31.12.2022
Non-current interest-bearing liabilities (+)	1.087.810	1.115.772
Current interest-bearing liabilities (+)	61.166	56.269
Other financing (non-current) (-)	0	0
Other financing (current) (-)	0	0
Other liabilities (non-current) (-)	0	0
Other liabilities (current) (-)	0	0
Term deposits (75%) (-)	-28.385	-19.585
Cash and cash equivalents (75%) (-)	-672.239	-578.031
Other financial assets (75%) (-)	-83.153	-80.625
Net financial debt	365.199	493.800