

Fluxys Belgium press release

25 March 2020 – Regulated information: 2019 results

Overview of 2019 annual results

- **Turnover** up to €531.0 million (2018: €503.2 million)
- **Net profit** up to €69.5 million (2018: €54.5 million)
- Proposal to the Annual General Meeting on 12 May 2020:
gross dividend of €1.30 per share (2018: €1.26 per share)
- **Investments** in infrastructure: €91.3 million, mainly for the construction of the fifth storage tank at the liquefied natural gas (LNG) terminal in Zeebrugge
- 2020-2023 transmission tariffs approved: **reduction in tariffs**
- **Zeebrugge LNG terminal boosts its prospects**
 - Record traffic for both large-scale and small-scale LNG
 - Unloading of LNG carriers: new long-term contract until 2044
 - LNG transshipments: start of long-term contract until end 2039
- **Practical steps to move the energy transition forward:** fully targeting green gas and already achieving results with natural gas
- Roll-out of action plan to **halve our own greenhouse gas emissions by 2025**

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Key financial data

Income statement	(in thousands of €)	31/12/2019	31/12/2018
Operating revenue		530,995	503,246
EBITDA*		297,337	278,382
EBIT*		134,841	120,601
Net profit		69,498	54,469
Balance sheet	(in thousands of €)	31/12/2019	31/12/2018
Investments in property, plant and equipment over the period		91,282	78,139
Total property, plant and equipment		2,129,400	2,181,771
Equity		662,677	687,156
Net financial debt*		903,339	881,932
Total consolidated balance sheet		2,867,575	2,914,902

- * EBIT: Earnings Before Interest and Taxes or operating profit/loss, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added
- * EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation or operating profit/loss, before depreciation, amortisation, 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 debt and 75% of the balance of cash, cash equivalents and short and long-term cash investments

Increase in turnover and net profit

The Fluxys Belgium group generated turnover of €531.0 million in 2019. This represents an increase of €27.8 million compared with 2018, when turnover stood at €503.2 million. Net profit rose from €54.5 million in 2018 to €69.5 million in 2019, an increase of €15.0 million. 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. As regards LNG terminalling, the regulated return increased because of the expansion investments for transshipment services at the Zeebrugge LNG terminal.

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Efficiency efforts in line with regulated tariff model

The tariff proposal for the 2016-2019 regulatory period sets out a 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.

Investments totalling €91.3 million

In 2019, investments in property, plant and equipment totalled €91.3 million, compared with €78.1 million in 2018. In 2019, €14.4 million was spent on transmission projects, €4.5 million on storage infrastructure and €72.4 million on LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal).

Other key events

Covid-19 outbreak: all Fluxys Belgium's essential operations remain active

Despite the major impact of the Covid-19 outbreak, all Fluxys Belgium's essential services remain operational. Our contingency planning has been activated and we are fully focused on our vital role towards society and our customers: safety and continuity of gas supply. At the same time, we carefully comply with the health and safety measures recommended by the Belgian authorities and have taken the necessary steps to safeguard the health of our employees and to mitigate the spread of the Covid-19 pandemic.

2020-2023 transmission tariffs approved: reduction in tariffs

In May 2019, Belgian federal energy regulator CREG approved Fluxys Belgium's transmission tariff proposals for the regulatory period 2020-2023. In line with the new tariff methodology established in consultation with CREG and the market players, the new transmission tariffs for an average Belgian consumer are around 5% lower than the indexed tariffs for 2019. The tariff decrease does not affect Fluxys Belgium's net profit and is a result of the company's sustained efficiency drive, lower interest rates and the restitution of past regulatory balances.

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Rise in volumes transported for the Belgian market

Natural gas volumes transmitted for the Belgian domestic market were up almost 3% on 2018, increasing from 187 to 193 TWh.

- Transmission to distribution system operators saw a slight increase of 0.4%, despite the somewhat milder temperatures.
- Offtake by directly connected industrial companies rose by over 7%.
- There was an approximately 4% increase in volumes transmitted for natural gas-fired power plants.

Border-to-border natural gas transmission volumes fell by 9.5% to 238.1 TWh: the decline in flows to the United Kingdom was only partially offset by the increase in flows to the Netherlands and France.

Zeebrugge LNG terminal breaks records

2019 was a particularly busy year for marine traffic at the Zeebrugge LNG terminal. A total of 130 vessels docked at the terminal, shattering the previous record of 82 vessels in 2009. Compared with 2018, more than twice as many carriers came to unload LNG, and the amount of natural gas injected by the terminal into the network was almost three times higher. The number of LNG transshipment operations doubled.

In addition to terminalling large volumes of LNG, the Zeebrugge LNG terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG. This means that small LNG carriers and LNG trailers can load LNG at the terminal. Other LNG terminals in the wider region are also developing services for small-scale LNG. Despite this increased competition, traffic for loading small LNG carriers in 2019 remained at the same level as in 2018, while almost 1,200 more LNG trailers were loaded.

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New long-term contract for unloading LNG carriers

In September 2019, Qatar Terminal Limited booked on a long-term basis the available unloading slots as the current long-term contracts expire. The agreement runs until 2044 with the option of early termination at the end of 2039 under certain conditions. It is the result of a subscription window held in the first half of the year for all interested market parties.

This new contract makes a major contribution to securing the long-term future of the Zeebrugge terminal and further strengthens its position as a versatile LNG gateway into Europe offering customers optimum destination flexibility.

Long-term transshipment contract started: up to 214 additional LNG carriers per year

In December 2019, the Zeebrugge LNG terminal commissioned the newly built fifth storage tank and associated process facilities for commercial use. This marked the start of the long-term transshipment contract concluded with Yamal Trade in 2015.

The new facilities allow transshipments between ice-class LNG vessels from the Yamal production terminal and conventional LNG carriers without the two having to be docked simultaneously.

Under the 20-year contract with Yamal Trade, up to 8 million tonnes of LNG can be transhipped at the Zeebrugge terminal annually. This could mean additional traffic of 214 LNG carriers per year. Before the new capacity became available in December, the terminal had already been performing transshipments between two simultaneously docked ships since May 2018.

Practical steps to move the energy transition forward: fully targeting green gas

Fluxys Belgium is working hard to move forward the energy transition towards a carbon-neutral economy. Gas infrastructure and innovative gas technologies are instrumental in making green gas available as an additional carbon-neutral energy source to homes and businesses. Green gas can be biogas or biomethane from organic waste, green hydrogen or synthetic gas produced by converting green electricity. There is also the potential of so-called 'blue hydrogen' as a carbon-neutral energy carrier. This is

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hydrogen produced from natural gas, with the CO₂ released in the process being captured and reused or stored.

Biomethane: significant potential

Compared with neighbouring countries, biomethane production in Belgium is still at an early stage. The biomethane unit of intermunicipal company IOK Afvalbeheer in the Kempen region is currently the country's only production plant. The first facility in Wallonia will be commissioned at Sombreffe in 2020. Nevertheless, the potential is significant. In 2019, Valbiom, working for the Belgian gas federation gas.be, examined the possible contribution of biogas in Belgium and concluded that there was realistic potential of 15.6 TWh per year, equivalent to around 8% of current natural gas consumption. Once purified into biomethane, almost 70% of the biogas could be injected into the distribution systems. If biomethane is also injected in the Fluxys Belgium transmission system, that proportion could increase even further.

Fluxys Belgium is supporting the development of the biomethane chain in Belgium by actively contributing to the required certification systems. These are key to enabling consumers to purchase green gas such as biomethane. Developing the demand market in this way will in turn stimulate production-based initiatives.

Development of the hydrogen market

Within the Fluxys group as a whole, efforts are under way with a range of partners and on various projects to join forces and carve out a place for hydrogen as a carbon-neutral energy carrier within the energy system and the wider economy.

- For example, a project with Colruyt Group and Parkwind is being developed to build an industrial power-to-gas facility in Zeebrugge to convert renewable electricity into green hydrogen.
- Other initiatives, with partners including the Port of Antwerp, are looking at the options for importing hydrogen and the infrastructure required for this. In addition, the possibilities are being explored from a North-West European perspective to repurpose part of the existing natural gas infrastructure as a cross-border hydrogen backbone.

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CO₂ capture, reutilisation and storage

The capture, reutilisation and storage of CO₂ is an important tool for industry located in ports in the fight against global warming. With this in mind, the Fluxys group as a whole is working with a number of ports in Belgium and the Netherlands to investigate the feasibility of the required infrastructure.

Achieving results as of today with natural gas

Thanks to natural gas infrastructure, major results can already be achieved as of today in heating, mobility and industrial heat demand. Switching to natural gas immediately cuts local carbon emissions and reduces the impact on air quality and health: nitrogen oxide emissions are up to 90% lower and emissions of sulphur and particulate matter are negligible.

With this in mind, Fluxys Belgium is working together with the Fluxys group as a whole and with other market parties to promote natural gas, biomethane and hydrogen as fuels. Against this backdrop, the number of vehicles powered by compressed natural gas (CNG) in Belgium rose by almost 40% in 2019, from 14,000 to just over 19,000. Around 30 CNG filling stations were opened, bringing the total number in Belgium to 134. Another 30 or so are at the planning stage and should materialise in 2020. At the end of 2019, Belgium had 12 LNG filling stations for LNG-fuelled trucks, with another six at the planning stage.

Within the wider Fluxys group, work is also being done on promoting the use of LNG as a shipping fuel in the port of Antwerp. For example, a bunkering pontoon is currently under construction in partnership with Titan LNG, which will be commissioned in 2020.

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Roll-out of action plan to halve our own greenhouse gas emissions by 2025

Fluxys Belgium has set itself the objective of halving its own greenhouse gas emissions by 2025 compared with 2017 levels. To this end, the company is rolling out various programmes designed to further reduce methane emissions from the operation of its infrastructure. In addition to its ongoing initiatives to cut CO₂ emissions, in 2019 the company switched to buying biomethane to heat its head office and buildings in Anderlecht.

Fluxys Belgium SA/NV – 2019 profit (according to Belgian standards): proposed allocation of profit

Fluxys Belgium's net profits totalled €42.5 million, compared with €47.6 million in 2018. This decrease on the previous financial year is due to changes in the parameters that determine the regulated return, as well as the dividend income and the lower profits from non-regulated activities.

Since 2010, barring unforeseen events, Fluxys Belgium has striven towards distributing 100% of its annual net profits plus the share of reserves freed up as and when the revaluation surplus is depreciated.

At its Annual General Meeting on 12 May 2020, Fluxys Belgium will propose paying out a gross dividend of €1.30 per share by releasing €9.9 million from unavailable reserves.

Taking into account a profit of €53.0 million carried over from the previous financial year and a withdrawal of €49.3 million from the reserves, the Board of Directors will propose to the Annual General Meeting that the profits be allocated as follows:

- €91.3 million as a dividend payment, and
- €53.5 million as profit to be carried forward.

If that profit allocation proposal is adopted, the total gross dividend for the 2019 financial year will be €1.30 per share. This amount will be payable as of 20 May 2020.

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Financial outlook for 2020

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 incentives as determined by the tariff methodology approved by the regulator.

Estimating the potential impact of the Covid-19 outbreak on the 2020 financial results of Fluxys Belgium is difficult at this stage but the financial position of the company is sound.

External audit

The statutory auditor has confirmed that his audit activities, which were conducted meticulously, have not revealed the need for any significant adjustments to the accounting information contained in this press release.

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Contacts

Financial and accounting data

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About Fluxys Belgium

Shaping together
a bright energy
future

Fluxys Belgium is the independent operator of both the natural gas transmission grid and gas storage infrastructure in Belgium. Through its wholly owned subsidiary Fluxys LNG, the company also operates the Zeebrugge liquefied natural gas (LNG) terminal. Fluxys Belgium is a subsidiary of Fluxys, the gas infrastructure group based in Belgium and active across Europe.

We are committed to continue building a greener energy future for the generations to come. People, industry and societies all need energy to thrive and progress.

Fluxys Belgium accommodates this need: we put energy in motion through our infrastructure. We move natural gas while paving the way to transport in our infrastructure hydrogen, biomethane or any other carbon-neutral energy carrier of the future.

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Annexes

Consolidated balance sheet		In thousands of euros	
	Note	31-12-2019	31-12-2018
I. Non-current assets		2,305,518	2,321,691
Property, plant and equipment	5.1	2,129,400	2,181,771
Intangible assets	5.2	33,424	39,862
Right of use assets	5.3	39,970	0
Investments in associates and joint ventures		16	16
Other financial assets	5.4/6	90,200	77,525
Financial lease receivables	6	3,300	3,902
Loans and receivables	6	144	144
Other non-current assets	5.5	9,064	18,471
II. Current assets		562,057	593,211
Inventories	5.6	26,488	29,103
Financial lease receivables	6	601	690
Current tax receivable		3,965	6,280
Trade and other receivables	5.7/6	89,421	97,217
Cash investments	5.8/6	58,205	53,279
Cash and cash equivalents	5.8/6	369,005	389,587
Other current assets	5.9	14,372	17,055
Total assets		2,867,575	2,914,902

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Consolidated balance sheet		In thousands of euros	
	Note	31-12-2019	31-12-2018
I. Equity	5.10	662,677	687,156
Equity attributable to the parent company's shareholders		662,677	687,156
Share capital and share premiums		60,310	60,310
Retained earnings and other reserves		602,367	626,846
Non-controlling interests		0	0
II. Non-current liabilities		1,957,483	1,977,106
Interest-bearing liabilities	5.11/6	1,718,972	1,723,831
Provisions	5.12	4,272	4,028
Provisions for employee benefits	5.13	63,336	58,819
Other non-current financial liabilities	6	2,669	1,794
Deferred tax liabilities	5.14	168,234	188,634
III. Current liabilities		247,415	250,640
Interest-bearing liabilities	5.11/6	143,577	158,004
Provisions	5.12	0	209
Provisions for employee benefits	5.13	4,134	3,844
Current tax payables		3,844	4,102
Trade and other liabilities	5.15/6	92,668	79,345
Other current liabilities		3,192	5,136
Total liabilities and equity		2,867,575	2,914,902

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Consolidated income statement		In thousands of euros	
	Note	31-12-2019	31-12-2018
Operating revenue	4.1	530,995	503,246
Gas sales related to balancing operations and operational needs		80,182	106,233
Other operating income		16,038	14,068
Consumables, merchandise and supplies used	4.2.1	-7,898	-4,142
Purchase of gas related to balancing of operations and operational needs		-80,188	-106,240
Miscellaneous goods and services	4.2.2	-129,583	-120,729
Employee expenses	4.2.3	-107,509	-107,852
Other operating expenses	4.2.4	-4,700	-6,202
Net depreciation	4.2.5	-157,955	-155,565
Net provisions	4.2.6	-3,995	-1,816
Impairment losses	5.6	-546	-400
Operating profit/loss		134,841	120,601
Change in the fair value of financial instruments		-71	0
Financial income	4.3	1,016	1,322
Finance costs	4.4	-37,630	-42,189
Profit/loss before tax		98,156	79,734
Income tax expenses	4.5	-28,658	-25,265
Net profit/loss for the period	4.6	69,498	54,469
Fluxys Belgium share		69,498	54,469
Non-controlling interests		0	0
Basic earnings per share in €	4.7	0.9891	0.7752
Diluted earnings per share attributable to the parent company's shareholders in €	4.7	0.9891	0.7752

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Consolidated statement of comprehensive income	In thousands of euros		
	Note	31-12-2019	31-12-2018
Net profit/loss for the period	4.6	69,498	54,469
Items that will not be reclassified subsequently to profit or loss			
Revaluations from employee benefits	5.12	-7,731	6,140
Income tax expense on these variances		2,287	-1,136
Other comprehensive income		-5,444	5,004
Comprehensive income for the period		64,054	59,473
Fluxys Belgium share		64,054	59,473
Non-controlling interests		0	0

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Statement of changes in consolidated shareholders equity								In thousands of euros	
	Share capital	Share premium	Reserves not available for distribution	Retained earnings	Reserves for employee benefits	Other reserves	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. REVISED CLOSING BALANCE AS AT 01-01-2018	60,272	38	35,824	591,824	-11,908	38,057	714,107	0	714,107
1. Comprehensive income for the period				54,469	5,004		59,473		59,473
2. Dividends paid			-9,904	-76,520			-86,424		-86,424
II. CLOSING BALANCE AS AT 31-12-2018	60,272	38	25,920	569,773	-6,904	38,057	687,156	0	687,156
1. Comprehensive income for the period				69,498	-5,444	0	64,054	0	64,054
2. Dividends paid			-9,905	-78,628			-88,533		-88,533
3. Other variation (1)			38,057			-38,057			
III. CLOSING BALANCE AS AT 31-12-2019	60,272	38	54,072	560,643	-12,348	0	662,677	0	662,677

(1) This reserve is the result of the reform of the Belgian corporate income tax, which in 2017 led to a decrease in deferred tax liabilities, part of which was recorded directly in other comprehensive income (see annual report 2017 and 2018). This amount was transferred to the group reserves in 2019.

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Condensed consolidated statement of cash flows (indirect method)	In thousands of euros	
	31-12-2019	31-12-2018
I. Cash and cash equivalents, opening balance	389,587	320,573
II. Cash flows relating to operating activities	279,516	247,233
1. Cash flows from operating activities	324,052	290,989
1.1. Operating profit/loss	134,841	120,601
1.2. Non cash adjustments	162,448	157,956
1.2.1. Depreciation	157,955	155,565
1.2.2. Provisions	3,995	1,816
1.2.3. Impairment losses	546	400
1.2.4. Translation adjustments	0	0
1.2.5. Non cash adjustments	-48	175
1.3. Changes in working capital	26,763	12,432
1.3.1. Inventories	2,069	-1,247
1.3.2. Current tax receivables	-585	-6,268
1.3.3. Trade and other receivables	7,796	11,381
1.3.4. Other current assets	27	454
1.3.5. Current tax payables	1,129	435
1.3.6. Trade and other payables	16,583	3,531
1.3.7. Other current liabilities	-1,944	2,861
1.3.8. Other changes in working capital	1,688	1,285
2. Cash flows relating to other operating activities	-44,535	-43,756
2.1. Current tax paid	-45,259	-44,728
2.2. Interests from short-term investments, cash and cash equivalents	836	1,067
2.3. Other inflows (outflows) relating to other operating activities	-113	-95
III. Cash flows relating to investment activities	-114,358	285,132
1. Acquisitions	-109,759	-83,398
1.1. Payments to acquire property, plant and equipment, and intangible assets	-97,959	-83,398
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	-11,800	0

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Condensed consolidated statement of cash flows (indirect methods)	In thousands of euros	
	31-12-2019	31-12-2018
2. Disposals	327	6,656
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	327	1,208
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	0	5,448
3. Dividends received classified as investment activities	0	0
4. Subsidies received	0	0
5. Increase (-) / Decrease (+) of cash investments (1)	-4,926	361,874
IV. Cash flows relating to financing activities	-185,741	-463,351
1. Proceeds from cash flows from financing	106,039	108,380
1.1. Proceeds from issuance of equity instruments	0	0
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	691	2,630
1.4. Proceeds from other non-current assets	0	-144
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	105,348	105,894
2. Repayments relating to cash flows from financing	-167,746	-434,311
2.1. Repurchase of equity instruments of cancellation destruction	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of lease liabilities	-4,568	0
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-163,178	-434,311
3. Interests	-35,501	-50,996
3.1. Interest paid classified as financing	-35,570	-51,165
3.2. Interest received classified as financing	69	169
4. Dividends paid	-88,533	-86,424
V. Net change in cash and cash equivalents	-20,583	69,014
VI. Cash and cash equivalents, closing balance	369,005	389,587

(1) To refinance a loan maturing in May 2018, Fluxys Belgium issued bonds for an amount of €350 million in October 2017. This amount was invested with Fluxys SA for 7 months and was included in 2018 under the heading "Increase (-) / Decrease (+) in cash investments".

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Consolidated profit and loss account Fluxys Belgium	In thousands of euros	
	31-12-2019	31-12-2018
Profit (loss) from continuing operations	134,841	120,601
Net additions to depreciation	157,955	155,565
Net additions to provisions	3,995	1,816
Write-downs	546	400
Result of companies accounted for using the equity method	0	0
Dividends from non-consolidated companies	0	0
EBITDA in thousands of euros	297,337	273,382

Consolidated profit and loss account Fluxys Belgium	In thousands of euros	
	31-12-2019	31-12-2018
Profit (loss) from continuing operations	134,841	120,601
Result of companies accounted for using the equity method	0	0
Dividends from non-consolidated companies	0	0
EBIT in thousands of euros	134,841	120,601

Fluxys Belgium consolidated balance sheet	In thousands of euros	
	31-12-2019	31-12-2018
Non-current interest-bearing liabilities	1,718,972	1,723,831
Short-term interest-bearing liabilities	143,577	158,004
Other financing (short-term)	-12,554	-30,097
Other financing (long-term)	-82,789	-95,343
Other liabilities (current)	-95,954	-95,367
Other liabilities (non-current)	-381,929	-390,212
Time deposits (100%)	0	0
Time deposits (75%)	-43,654	-39,959
Cash and cash equivalents (75%)	-276,754	-292,190
Other financial assets (75%)	-65,575	-56,735
Net financial debt in thousands of euros	903,340	881,932