

Fluxys Belgium press release

28 September 2016 – Regulated information

Results for the first half of 2016

Information on key events in the first half of 2016
and their impact on the financial situation of Fluxys Belgium

- **Regulated turnover down – drop results from of a number of authorised costs in decrease: operating expenses, financial expenses and the authorised return**
- **Efficiency efforts in line with the regulated tariff model**
- **Increasingly lower interest rates affect the group's results**
- **Investments: €54.2 million, mainly for the fifth storage tank and the second jetty at the Zeebrugge LNG terminal**
- **Traded volumes on the ZTP gas trading place have risen by over 51%**
- **Success of small-scale LNG continues**

1. Key financial figures

Income statement	(in thousand euros)	30.06.2016	30.06.2015
Operating Revenue		237,760	262,113
EBITDA		128,819	136,818
EBIT		53,975	69,068
Net profit		19,682	26,947
Balance sheet	(in thousand euros)	30.06.2016	31.12.2015
Total assets		2,994,176	3,037,352
of which tangible assets		2,311,202	2,330,542
Investments		54,189	188,094
Equity		656,640	736,222

EBITDA: earnings before interest, taxes, depreciation, and amortisation

EBIT: earnings before interest and tax

Turnover for the first half of 2016: €237.8 million. The Fluxys Belgium group generated a turnover of €237.8 million in the first half of 2016 compared with €262.1 million for the first six months of 2015, a decrease of 9.3%. In accordance with regulation, this drop in regulated turnover is mainly the result of a number of authorised costs in decrease, namely the operating expenses (see following point), the financial expenses and the authorised return (see comment on net profit).

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 with regard to the authorised manageable

Fluxys Belgium press release

28 September 2016 – Regulated information

expenses. By controlling its operating expenses and focusing on efficiency, the Fluxys Belgium group has managed to achieve these new regulatory objectives.

Increasingly lower interest rate affects the group's results. The average projected OLO interest rate for the period totalled 0.41% in 2016 compared to 0.98% for the first half of 2015. This drop has a negative effect on the return authorised by regulation on capital invested and therefore affected the results for the first half of 2016. In addition, the results for the first half of 2015 had benefitted from the recovery of revaluation surpluses with regard to the decommissioning of obsolete installations. Since 2016, such recovery is no longer permitted. The net profit for the first half of 2016 thus totalled €19.7 million, down €7.2 million on the same period in 2015 (€26.9 million).

€54.2 million of investments. The investment budget for 2016 amounts to €195 million and a total of €54.2 million was invested in the first six months of the year. Almost €20 million went to transmission projects, while approximately €34 million was allocated to LNG infrastructure projects. The main ongoing projects are as follows:

- Construction of a **fifth LNG storage tank** and associated facilities at the Zeebrugge LNG terminal. The investment stems from the long-term 20-year contract concluded with Yamal Trade last year for the provision of transshipment services from 2018 onwards.
- Construction of a **second jetty** at the Zeebrugge LNG terminal enabling the facility to receive even the smallest LNG vessels. The jetty is set to be commissioned in Q4 2016.
- Construction of a transmission pipeline between **Tessenderlo** and **Diest** (18 km) and associated surface facilities. The infrastructure will be commissioned in autumn 2016.
- The upgrading of two parallel pipelines in **Ravels** and **Oud-Turnhout** on the north/south transmission route running through Belgium. The project will be completed in autumn 2016.
- Work on pipelines in **Destelbergen** and **Merelbeke** in the framework of the renewal and extension of the network.
- Construction of a transmission pipeline between **Houthulst** and **Langemark-Poelkapelle** (6.8 km) and the associated pressure-reducing station to supply the Ypres region. This is a branch of the Alveringem-Maldegem pipeline and the infrastructure is expected to be commissioned in November.

2. Key events

Natural gas remains a key component in the energy mix. In light of the impending nuclear phase-out, natural gas will remain a key component of centralised electricity generation. Whereas renewable sources are to play an increasingly larger role, the amount of nuclear capacity to be replaced cannot solely be provided by additional wind or solar capacity and by imports. Gas-fired power plants in this respect are the best option for providing both base load power and backup for renewable generation as they score better than coal-fired power plants in terms of carbon emissions, energy efficiency and flexibility.

Natural gas also has a lot to offer when it comes to decentralised electricity generation. Cogeneration powered by natural gas can further expand within SMEs, and this technology is rapidly evolving for use in households. Natural gas also has enormous potential as an alternative fuel in the transport sector:

Fluxys Belgium press release

28 September 2016 – Regulated information

compressed natural gas (CNG) for passenger cars and commercial vehicles on the one hand (the number of CNG filling stations in Belgium rose from 45 to 62 in the first half of the year) and liquefied natural gas (LNG) for ships and trucks on the other (see 'Success of small-scale LNG' below).

Fluxys Belgium hub services. Since 1 January, Fluxys Belgium's customers have been able to book both transmission capacity and hub services for buying or selling on the Belgian gas trading places. To this end, the company took over the hub services of its sister company Huberator in late 2015, and the transfer on 1 January was accompanied by lower prices for these services.

ZTP breaking records: +51%. The number of active traders on the Zeebrugge Beach and ZTP gas trading places has continued to rise and the traded volumes clocked in at around the same level as in the first half of 2015. While the volumes traded at Zeebrugge Beach fell by approximately 8% (353 TWh), ZTP broke records with an increase in traded volumes of over 51% (97 TWh).

Network users optimise capacity portfolio. Europe is seeing a continuing trend in which network users book as little capacity as possible on the basis of their estimations of the exact capacity needed to supply their customers. As such, over the first six months of 2016 Fluxys Belgium sold less transmission capacity than in the same period the previous year.

Fluxys Belgium is ready for the switch from L gas to H gas. The Netherlands intends to gradually phase out its export of low-calorific gas (L gas) between 2020 and 2030. With a view to guaranteeing security of supply, Fluxys Belgium and the distribution system operators will progressively convert their L gas networks so that suppliers will be able to deliver high-calorific gas (H gas) instead of L gas to their customers. At the government's request, Synergrid, the Federation of the Electricity and Gas Network Operators in Belgium, devised an indicative planning for the switch. Fluxys Belgium is ready to go ahead within the proposed schedule and begin the switch in 2018, with work being completed by 2029.

Storage: window of opportunity in July. Owing to a contract expiring in the first half of 2016, the amount of storage capacity booked on a long-term basis fell from approximately 70% to around 60%. The company's proactive approach to storage sales could not offset poor market conditions in the first half of the year and the remaining short-term capacity was not sold, just like over the same period in 2015. However, market conditions changed in July, when the UK was faced with a storage shortage. By quickly offering solutions to the market, Fluxys Belgium was able to sell all remaining short-term capacity.

Zeebrugge LNG terminal: favourable utilization rate. Although fewer LNG vessels were unloaded in the first half of 2016 compared to the same period the previous year, the LNG terminal had a favourable utilization rate compared to other terminals in northwest Europe. In comparison with the first six months of 2015, more large LNG vessels were loaded and small-scale LNG activities increased.

Success of small-scale LNG continues. In addition to handling large LNG volumes, the Zeebrugge LNG terminal is diversifying its offer to respond to the new and expanding market for small-scale LNG.

- The number of loading operations involving small LNG vessels continued at the same level as last year. A market test showed that there is demand for additional options for loading small LNG vessels. Fluxys

Fluxys Belgium press release

28 September 2016 – Regulated information

LNG therefore is looking into expanding its small-scale LNG services, with the construction of an additional jetty being one of the possibilities.

- The number of loading operations for LNG tanker trucks increased considerably. Despite other terminals in northwest Europe launching similar services, 772 tanker trucks loaded LNG over the first half of 2016, compared to 556 in the same period the previous year. With a view to minimising waiting times for LNG tanker trucks in the future, Fluxys LNG is looking into the construction of a second loading station at the terminal in 2017.

3. Main risks and uncertainties for the second half of 2016

Fluxys Belgium faces no new risks or uncertainties since the closing of the 2015 financial year (see 'Risk management' in the 2015 annual financial report). 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 comment 11 of the condensed half-yearly financial statements in the half-yearly financial report.

5. Financial outlook for 2016

Net profit from regulated activities is primarily determined by the equity invested, the financial structure and the interest rates (OLO). The recurring dividend will continue to evolve depending on these three parameters.

The current financial markets do not allow for accurate projections regarding changes to interest rates and, therefore, the return on regulated activities.

Fluxys Belgium is looking into the possibility of paying out a part of the available reserves or retained earnings to partially offset the effect of low interest rates on dividends.

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.

Fluxys Belgium press release
28 September 2016 – Regulated information

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](#).

CONTACTS

Financial and accounting information

Geert Hermans

Tel.: +32 2 282 75.66

Fax: +32 2 282 75 83

geert.hermans@fluxys.com

Press

Rudy Van Beurden

Tel: +32 2 282 72 30

Fax: +32 2 282 79 43

rudy.vanbeurden@fluxys.com

Laurent Remy

Tel.: +32 2 282 74 50

Fax: + 32 2 282 79 43

laurent.remy@fluxys.com