Fluxys Belgium press release

25 September 2019 – Regulated information

Results for the first half of 2019

Information on key events in the first half of 2019 and their impact on the financial situation of Fluxys Belgium

- **Regulated turnover up to €260.0 million (compared with €250.1 million in the first half of 2018)**
- **Net profit up to €31.4 million (compared with €24.3 million in the first half of 2018): expansion investments in LNG terminalling increase return, but rise offset by a drop in the OLO reference interest rate**
- **€45.2 million in investments, mainly in the fifth storage tank at the Zeebrugge LNG terminal**
- **Record activity levels at the Zeebrugge LNG terminal and a new long-term contract for unloading LNG carriers**
- **Transmission tariffs for 2020-2023 to decrease**
- **Practical steps to bring the energy transition forward: results as of today with natural gas while fully targeting green gas as well**
- **Objective of reducing our own greenhouse gas emissions by 50% by 2025: Fluxys Belgium switches to green gas for heating its buildings**

1. Key financial data

Income statement (in thousands of €)	30.06.2019	30.06.2019 (without IFRS 16)	30.06.2018
Operating revenue	260,041	260,041	250,077
EBITDA*	145,537	142,689	135,081
EBIT*	60,964	60,396	58,936
Net profit	31,423	31,392	24,356
Balance sheet (in thousands of €)	**30.06.2019**	**30.06.2019 (without IFRS 16)**	**31.12.2018**
Investments in property, plant and equipment	45,151	45,151	78,139
Total property, plant and equipment	2,155,392	2,155,392	2,181,771
Equity	619,958	619,927	687,156
Net financial debt*	879,310	919,654	881,932
Total consolidated balance sheet	2,881,711	-	2,914,902

* EBIT: Earnings Before Interests 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 Interests, Taxes, Depreciation and Amortization or operating profit/loss, 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 debt, cash from early refinancing transactions 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 €260.0 million in the first half of 2019. This represents an increase of €9.9 million compared with the same period in 2018, when turnover stood at €250.1 million. Net profit rose from €24.3 million to €31.4 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 in transshipment services at the Zeebrugge LNG terminal. This rise was partly offset by the drop in the OLO reference interest rate, which determines the regulated return for the other transmission, storage and LNG terminalling facilities. The average OLO rate expected for the first half of 2019 is 0.27%, compared with 0.75% in the first half of last year.

Efficiency efforts in line with the 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.

€45.2 million in investments. In the first half of 2019, investments in property, plant and equipment came to €45.2 million, compared with €52.9 million in the same period in 2018. Of this amount, €38.4 million went to LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal) and €5.6 million to transmission projects.

Adoption of IFRS 16. The adoption of IFRS 16 (Leases) has no material impact on the group's results as at 30 June 2019. The impact is documented in the condensed half-yearly financial statements (see Note 1.d).

2. Key events

Record activity levels at the Zeebrugge LNG terminal. The number of ships docking at the Zeebrugge LNG terminal was more than double the number that did so in the first half of 2018: 36 ships came to the terminal to unload their LNG and 10 for transshipment services, while 12 small vessels docked to be loaded with LNG. In the first half of the year, the volume of natural gas sent out into the transmission system from the terminal was more than three times the level in the first six months of last year. The commissioning of a second LNG-truck loading station also had a positive impact, with 1,081 trucks being loaded, compared with 650 in the first half of 2018. May was an all-time record month with no fewer than 13 ships docking at the terminal and 194 trucks loading LNG.

New long-term contract for unloading LNG carriers. In early September 2019, Qatar Terminal Limited on a long-term basis booked all the unloading slots for the existing capacity at the Zeebrugge LNG terminal as the current unloading contracts expire. This agreement, which runs until 2039 and can be extended until 2044, is the result of a subscription window held in the first half of the year for all interested market parties. In late June, the Belgian federal energy regulator, the Commission for Electricity and Gas Regulation (CREG), approved the accompanying tariff proposal and the draft LNG Services Agreement.

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. The terminal provides not only ample pipeline transmission take away capacity for delivery throughout North-West Europe but also a wide range of options for downstream small-scale LNG distribution.

Natural gas transmission for the Belgian market up almost 4%. Natural gas transmission volumes for Belgian market consumption were up almost 4% on the first half of 2018, from 98 to 101.5 TWh.

- There was a 17% increase in transmission volumes for natural gas-fired power plants, taking these volumes to 23.5 TWh.
- Offtake by directly connected industrial companies rose by almost 7% to 25.3 TWh.
- Transmission to distribution system operators stood at 52.8 TWh, down 2.6% on the first six months of 2018, reflecting the milder temperatures this year.

Border-to-border natural gas transmission volumes fell 10% vis-à-vis the same period last year to 127.5 TWh, mainly because of a sharp decrease in exports to the United Kingdom.

Transmission tariffs for 2020-2023 to decrease. In May, Belgian federal energy regulator CREG approved Fluxys Belgium's transmission tariff proposals for the next 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.

Practical steps to bring the energy transition forward. Fluxys Belgium is working hard to bring forward the energy transition towards a carbon-neutral economy with better air quality.

- **Results as of today with natural gas**: thanks to gas infrastructure, major steps can be taken as of today in terms of heating, mobility and industrial heat demand to reduce CO_2 emissions and air pollution immediately. Switching from petrol, diesel or fuel oil to natural gas cuts emissions of both particulate matter, sulphur oxides, nitrogen oxides and CO_2. With this in mind, Fluxys Belgium is working with parent company Fluxys and other market parties to stimulate the use of natural gas as an alternative fuel for transport. Against this backdrop, during the first half of the year the number of vehicles running on compressed natural gas (CNG) in Belgium rose from 14,000 to 17,000, while more than 15 new CNG filling stations opened, taking the total to over 120. Meanwhile, the number of LNG filling stations for trucks doubled from 5 to 10. Furthermore, parent company Fluxys is teaming up with partner Titan LNG to build an LNG bunkering pontoon with a view to making LNG more widely available as a marine fuel in the Port of Antwerp and the surrounding area.
- **Meanwhile fully targeting green gas as well**: gas infrastructure and innovative gas technologies are instrumental in making steadily growing volumes of green gas available as an additional carbon-neutral energy source to homes and businesses. Green gas is a generic term. It may refer to biogas or biomethane from organic waste, green hydrogen or synthetic natural gas produced by converting green electricity. In this context, Fluxys Belgium is investigating the modalities for the inflow of new energy carriers such as biomethane and hydrogen into its existing infrastructure.

Reducing greenhouse gas emissions from heating our buildings. Fluxys Belgium has set the objective to cut its greenhouse gas emissions by 50% on 2017 levels by 2025. In September, the company switched to buying green gas (biomethane) to heat part of its administrative buildings. This reduces these buildings' CO_2 emissions by 90%. Purchasing green gas in Belgium is possible as a result of the system of green gas certificates developed last year by Fluxys Belgium, the Belgian gas federation gas.be and the distribution system operators.

3. Main risks and uncertainties for the second half of 2019

The risks and uncertainties facing the Fluxys Belgium group have not changed significantly since the closing of the 2018 financial year (see the chapter on risk management in the 2018 annual financial report, pages 130-139). Fluxys Belgium continues to monitor developments, taking appropriate action accordingly.

4. Transactions with related parties

For more information on transactions with related parties, please refer to Note 10 in the condensed half-yearly financial statements.

5. Financial outlook

Under the current tariff methodology, the net profit from Belgian regulated activities is determined based on various regulatory parameters, including equity invested, financial structure, and OLO interest rates.

Changes in the recurring dividend will primarily continue to depend on these three parameters. The current situation on the financial markets does not allow for accurate projections regarding changes to interest rates and therefore the return on regulated activities.

6. Half-yearly financial report available

The Fluxys Belgium half-yearly financial report – including the condensed financial statements – is available on the Fluxys Belgium website.

CONTACTS

Financial and accounting information
Filip De Boeck
Tel.: +32 2 282 79 89
filip.deboeck@fluxys.com

Press
Laurent Remy
Tel: +32 2 282 74 50
laurent.remy@fluxys.com