

Fluxys Belgium press release

13 May 2014 – Regulated information: interim statement

Interim statement

Information on key events since 1 January 2014

and their impact on Fluxys Belgium's financial situation

- **Q1 turnover: €122 million**
- **Transmission volumes down due to mild winter and less gas-fired electricity generation**
- **Zeebrugge LNG terminal: LNG truck loading a particular success and possible additional transshipment services**
- **Agreement with CREG on procedure to arrive at new tariff methodology procedure for the period 2016-2019**

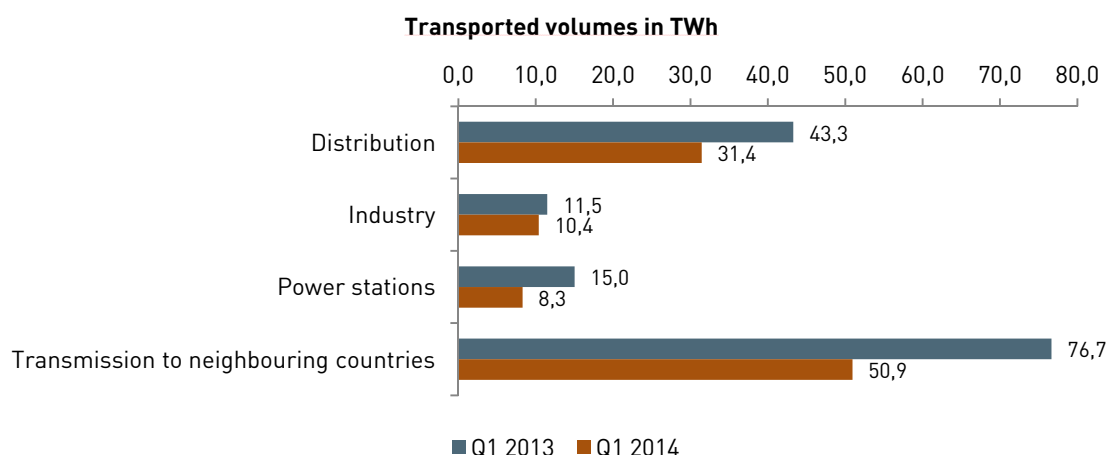
1. Turnover

The Fluxys Belgium group's turnover generated from services delivered¹ was €121.8 million in the first quarter of 2014, compared with €130.7 million in the first quarter of 2013, a decrease of €8.9 million or 6.8%.

The turnover invoiced to customers during the first quarter of 2014 was close to that invoiced during the first quarter of 2013, while the impact of tariff settlements (regularisations) on the regulated turnover was greater than in the first quarter of the previous year, which explains the change in the group's turnover .

2. Transmission volumes down

The mild winter and unfavourable market situation for gas-fired electricity generation led to a significant drop in the volumes of natural gas transported in the first quarter of 2014 compared with the same period last year.



¹ The Fluxys Belgium group also invoices customers for the gas required to balance the network. These amounts do not affect result as they cover corresponding costs.

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Transmission for consumption in Belgium. Due to the very mild winter compared with last year, the volumes transported to the networks of distribution system operators in the first quarter of 2014 were down by around 27%. Among companies directly connected to the Fluxys Belgium grid, transmission volumes fell by almost 10%. In the power generation segment, offtake was down by 45%. This is partly because in the first quarter of 2013 gas-fired power stations were used to partially offset the nuclear generation capacity which was off-stream at that time. In addition, the general context remains unfavourable for using gas to generate electricity. As a consequence, approximately 1.5 GW of gas-fired power generation capacity was kept off-grid in the first quarter of 2014 compared with the same period last year.

Transmission to neighbouring countries. Volumes of natural gas transmitted to neighbouring countries were down by almost 34% in the first quarter of 2014 compared with the first quarter of last year, bringing them back to the levels of the same period in 2012. This was because neighbouring countries experienced similar mild weather conditions and there was no transmission of unusually large volumes to the United Kingdom in 2014, as was the case in 2013.

Traded volumes. The mild temperatures also had a mitigating effect on the total volume of natural gas traded at the Belgian gas trading places Zeebrugge Beach and ZTP, the trading hub for the domestic market. A total of 220 TWh was traded in the period from January to March 2014, a decrease of 5% compared with the same period last year. This limited decline shows that the Belgian gas trading places have substantial market depth. Although physical flows to and from the United Kingdom and Germany were significantly lower and less natural gas was sent out from the LNG terminal into the grid, trade at Zeebrugge Beach nonetheless remained buoyant and traded volumes at ZTP rose from 10 TWh to 28 TWh.

3. Storage: differentiated service package

Around 75% of Fluxys Belgium's storage capacity is booked in the long term, while the remaining capacity is sold on an annual basis. Marketing of this short-term capacity is facing stiff competition on a number of fronts. Due to the low level of demand for natural gas in Europe, there is a relative oversupply of physical storage capacity, which also has to compete with the flexibility offering at gas trading places.

To respond optimally to market demand in this difficult context, Fluxys Belgium has developed a differentiated service package for short-term capacity, allowing customers to assemble a set of services tailored as closely as possible to their specific needs. Moreover, at the gas trading places there is an emerging trend for the 2014-2015 season with greater price differences between the summer and winter of 2014, which could make physical storage more attractive again.

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4. Zeebrugge LNG terminal remains attractive

Due to the relative surplus of natural gas in the European market and high LNG prices in Asia and South America, most LNG terminals in North-West Europe are experiencing a low level of activity. Thanks to its versatile offering, the Zeebrugge LNG terminal enjoyed a comparatively strong first quarter.

Ship loading and unloading – In the first three months of the year, nine carriers were unloaded and five were loaded. This compares with eight and five carriers respectively in the same period last year.

Truck loading services peak – Take-up of truck-loading services continues to rise, with 363 trucks loading at the terminal in the first quarter of 2014 compared with 126 in the same period last year. Over 1,900 loadings have been booked for the year as a whole, compared with 819 last year.

LNG filling station in Veurne – In February 2014, parent company Fluxys decided to build an LNG truck filling station this year in Veurne on the premises of haulage company Eric Mattheeuws, which has purchased a fleet of LNG trucks. The initiative is a milestone in the launch of LNG as a sustainable alternative fuel for trucks in Belgium: as a pilot installation it serves as an example for other investors to venture into building LNG filling stations as well.

Possible additional transshipment services - In April 2014, Yamal LNG and parent company Fluxys signed an agreement outlining the parameters of cooperation on the possible transshipment at Zeebrugge of LNG supplied from the production plant being built on the Yamal Peninsula in Russia. The transshipment platform in Europe will be an integral part of the logistical chain enabling LNG supply from Yamal to reach the Asian-Pacific countries when winter navigation is closed at the Arctic Ocean's Northern Sea Route, thus ensuring year-round LNG supplies to this region.

If Fluxys Belgium succeeds in attracting LNG transshipment operations to the Zeebrugge terminal, this would be an important project for the company itself and for the port of Zeebrugge. It would bring considerable investment to the terminal, link the facility to an additional source of LNG and entail a significant volume of ship movements.

5. Investments

Fluxys Belgium plans to invest a total of €95 million in infrastructure in 2014. Infrastructure spending in the first quarter of 2014 totalled around €16 million. The two biggest projects are:

- A second jetty for loading and unloading LNG carriers is currently under construction at the LNG terminal. Ships with capacities ranging from 2,000 to 217,000 m³ of LNG will be able to berth at this new jetty from 2015, including so-called bunker ships which load LNG to supply other vessels fuelled by LNG.
- In and around Ghent, Fluxys Belgium is restructuring and upgrading its pipeline network to continue to efficiently safeguard supply to the region.

In late February, the Flemish government definitely enacted the regional land-use plan for the Alveringem-Maldegem pipeline, the Belgian section of the cross-border connection between Dunkirk and Zeebrugge. Fluxys Belgium plans to successfully complete all permit procedures by the end of 2014, so

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that construction can begin in spring 2015 and the pipeline is ready for commissioning at the same time as the Dunkirk LNG terminal.

6. Agreement with CREG on procedure to arrive at new tariff methodology procedure for the period 2016-2019

In 2014, CREG will establish a definitive tariff methodology for the transmission, storage and LNG-terminalling activities of Fluxys Belgium and its subsidiary Fluxys LNG. Pursuant to the Gas Act, the two companies concluded in February an agreement with CREG regarding the procedure for developing the new tariff methodology. Among other things, the procedure provides for bilateral consultation with CREG and a public consultation on the proposed new tariff methodology. The new tariff methodology is expected to be ready by late 2014 and will take effect as from the next regulatory period (2016-2019).

7. Financial outlook for 2014

Net profit from regulated activities is primarily determined by the equity invested, the financial structure and the interest rates (OLOs). The recurring dividend will continue to change depending on the development of 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.

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