FLUXYS

EXCELLENCE IN GAS TRANSPORT

- Enhancement of the Fluxys grid's role as the crossroads of Western European natural gas flows
- € 198 million investments in infrastructure
- Wide range of additional services for shippers
- 92 new employees
- €52.50 net dividend per share

ANNUAL FINANCIAL REPORT

2008

SHAREHOLDERS' GUIDE

Fluxys shares

Fluxys shares are listed on the Second Market of NYSE Euronext Brussels.

Shareholders' agenda

- 12 May 2009 – Annual General Meeting
- 19 May 2009 – payment of dividends
- 28 August 2009 – press release by the Board of Directors on the half-yearly results in accordance with IFRS

In addition, interim statements will be published in May and November 2009.

Payment of dividends

The gross dividend per share for financial year 2008 is €70.00, compared with €108.00 in 2007. This means a net dividend of €52.50 for 2008, as opposed to €81.00 in 2007.

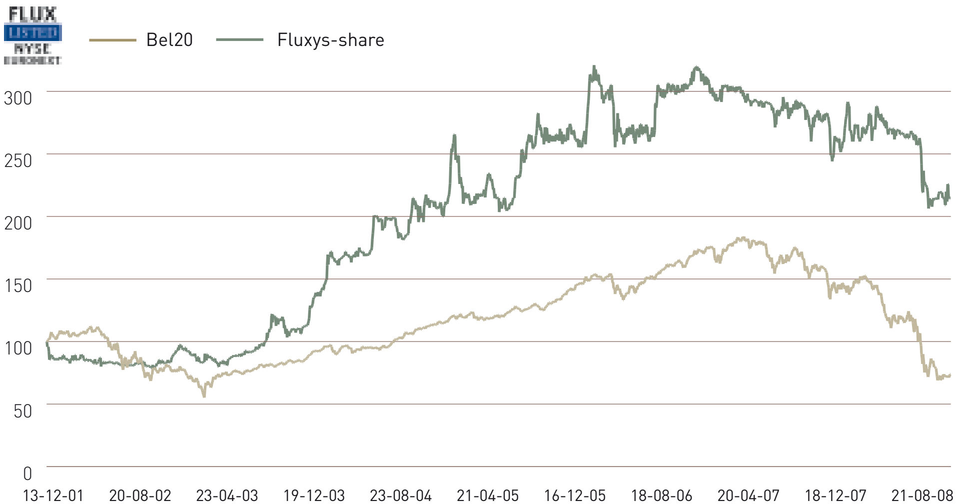
This dividend will be paid on presentation of coupon no. 9 at Dexia Bank Belgium.

Note on the evolution of Fluxys shares

The Fluxys share price closed at €2,440 on 31 December 2007. The highest closing rate in 2008 was €2,580, on 12 March 2008, and the lowest was €1,826, on 28 October 2008. At the end of 2008 the share price closed at €1,901.05.

The year 2008 also saw an increase in the average number of Fluxys shares traded each day on the Second Market of NYSE Euronext Brussels (from 47 shares in 2007 to 70 in 2008).

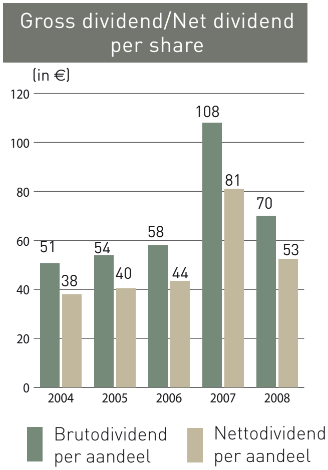
Evolution Fluxys share – BEL 20 (share price 13-12-2001* = base 100%) (in %)

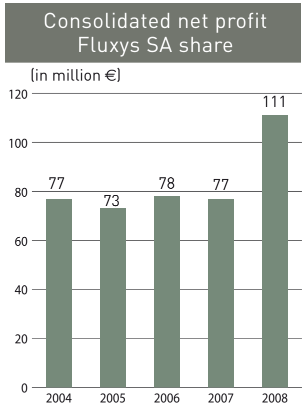


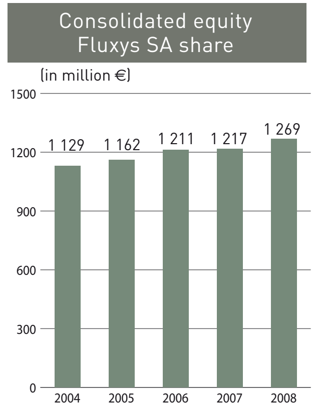
** On 1 December 2001, the company split off its natural gas wholesale activities. This demerger involved a separation of accounts effective as of 1 July 2001. The new Fluxys share following the split has been listed on NYSE Euronext Brussels since 13 December 2001.*

Fluxys share (in €)

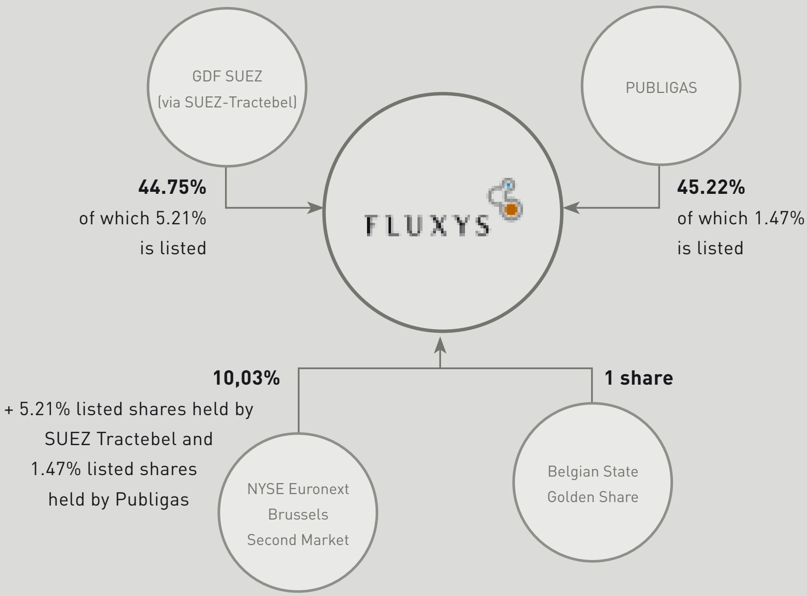
		2008	2007	2006	2005	2004
Price	Maximum	2,580	2,831	2,840	2,500	1,925
	Minimum	1,826	2,300	2,260	1,770	1,015
	Closing rate at 31 December	1,901	2,440	2,752,5	2,310	1,825
	Average price	2,272	2,594	2,511	2,079	1,586
Cash flow per share		330,88	173,69	171,30	163,09	186,71
Net consolidated profit per share		157,93	109,70	110,84	104,44	109,66
Price/profit ratio at 31 December		12	22	25	22	17
Number of shares		702,636	702,636	702,636	702,636	702,636
Average daily volume traded		70	47	79	108	114







Shareholders on 31-12-2008



80th financial year

Reports to the Annual General Meeting of 12 May 2009

FLUXYS

SUMMARY

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

The energy landscape in North-Western Europe is gradually evolving into a new balance through the wave of consolidation that followed liberalisation. At the same time, events in Eastern Europe have once more pointed to the geopolitical elements playing a role in the security of supply in the future. In this context, Fluxys' investment strategy, which aims to diversify supply capacity as much as possible, has proved its worth. The current challenge consists in continuing with this strategy: in a liberalised market setting, new solutions must be found to provide an adequate basis for the major investments ahead.

New energy landscape in Belgium

With the merger of GDF and SUEZ and the acquisition of Distrigas by ENI, competition in the natural gas market in Belgium has increased. Furthermore, as GFD SUEZ agreed to give up its majority stake in Fluxys, the degree of unbundling that has been achieved goes above and beyond the requirements of the European Commission. And with its acquisition of Distrigas subsidiary Distrigas & Co and GDF's stake in the 's-Gravenvoeren-Blaregnies pipeline, Fluxys now owns all of the international transit capacity in Belgium. This rearrangement of activities within Fluxys enhances even further the excellent reputation the company already enjoyed as an independent operator.

Uncertainties affect the development of natural gas infrastructure

2008 was a turbulent year for energy prices, with the Brent crude price peaking at $146 a barrel, only to plummet by nearly 70%, hitting $46 a barrel at the end of the last quarter. This sharp drop will have a positive effect on prices for end users in the short term, but can also bring along the risk of delays in investments that were planned during the economic boom.

Europe once more had to deal with the geopolitical dimensions of the natural gas market, climaxing in the Russian-Ukrainian dispute in January of this year. At present, it is too early to tell what long-term consequences this crisis will have for supply into Europe. The events have anyhow once more pointed to the highly significant geopolitical elements involved in the security of supply issue and the development of major pipeline projects for Europe's future gas supply such as Nord Stream, South Stream and Nabucco.

"Fluxys' investment strategy aims at an optimal diversification of supply capacity and this has once again demonstrated its worth. The challenge is to continue fully applying this successful strategy in a market where a balance has to be struck between liberalisation and regulation."

The success of Fluxys' strategy

In any case, what international developments do show is that Fluxys' strategy has paid off: based on a long-term vision as to security of supply, the company has developed its grid in such a way that it is connected to all sources at an economically responsible distance. This allows suppliers on the Belgian market to diversify their portfolios as much as possible and any source becoming unavailable can easily be offset. Moreover, last winter has shown that through the excellent interconnections of the Fluxys network and the bi-directionality of the east/west axis the company also can offer shippers the capacity they need to partly offset a cut-down of flows. The Fluxys grid's role as an international crossroads will be further strengthened in the near future as a result of the Board's recent decisions with a view to new investments in infrastructure. The importance of Fluxys' role as a crossroads has not escaped the European Commission, which has decided to provide financial support for some of these projects.

Fluxys' investments also aim to enable the company to continue offering easy access to the Belgian gas market to an ever increasing community of suppliers, thus providing solutions for the lack of clarity as to the utilisation of the different interconnection points in the long term. The new investments Fluxys intends to implement, for example, will further boost the flexibility of capacity use and so support optimum competition on the gas market.

Major challenge

At the same time the company is facing a major challenge. Just like building any other major infrastructure, laying pipelines is very capital-intensive and the statutory write-off periods are extended (in Belgium 50 years). However, in a liberalised market setting, the duration of the binding capacity reservation contracts used as the basis for financing projects for international transit is becoming ever shorter and currently stands at 10 to 15 years. The challenge is to find a solution to this imbalance, a solution to the benefit of both end users and shippers wishing to commit to long-term agreements. For this to be possible, there will need to be dialogue between all parties concerned, including the regulator and the government. I am convinced a solution is possible and Fluxys and the company's stable shareholders are ready to make a constructive contribution to dialogue.

Jean-Pierre Hansen
Chairman of the Board of Directors

FOREWORD BY THE EXECUTIVE BOARD

Fluxys' strategy of developing its grid into a crossroads for Western European natural gas flows again has proved its worth during the extraordinary peak experienced last winter. Thanks to the reliability of the Fluxys grid and its exceptional openness to various sources, our customers had no problems in supplying gas to end users in Belgium. This same period saw the Fluxys grid's crossroads possibilities being fully exploited as gas flows from Zeebrugge were used to partially offset the effects of the cut-down in supplies from the east to Germany and France during the Russian-Ukrainian dispute.

The natural gas market is currently experiencing a period of extensive change. To continue meeting demand, natural gas will have to be imported from ever more distant sources as European production is dwindling. The future of gas supply to Europe is therefore an important point of attention for the European Commission, which acts as a facilitator between states for major pipeline projects, stimulates international cooperation between operators and is prepared to provide financial support.

Decision to invest in new capacity on the east-west axis

As a transmission system operator in a country producing no natural gas of its own, Fluxys has always given its strategy a European scope with a view to creating win-win solutions for the European and Belgian markets. This was once again the case when, despite uncertainties in the regulatory framework, the company took the decision to invest over €300 million in the RTR2 project which is to create new capacity on the east-west axis. Through this new project Fluxys aggregates demand for new cross-border flows and strengthens its role as a crossroads of international gas flows. The project also enables synergies with capacity expansions for gas transport in Belgium so as to meet increasing domestic demand for natural gas and enhancing competition on the gas market.

Ambitious new infrastructure package completed, major new projects ahead

In 2008, Fluxys also completed an ambitious new infrastructure package: investments worth about €200 million were made for transport, transit, storage and LNG terminalling projects. Various pipelines were laid, the new compressor station in Zelzate was commissioned, the capacity of the underground storage facility in Loenhout was increased and the first capacity enhancement of the Zeebrugge LNG terminal was put into operation. Headway was also made with our preparations for major new projects for the future. The market consultation for new north/south capacity was completed successfully and the market consultation for a second capacity enhancement of the LNG terminal is currently in the stage where a concrete proposal is being discussed with interested customers. On top of this, explorations have continued in the Kempen area of Limburg province to identify potential locations for underground natural gas storage. In this context, Fluxys and the Flemish Institute for Technological Research have made the decision in principle to carry out an exploratory drilling.

Increased liquidity on the capacity market

Fluxys closely kept its finger on the pulse of market needs when developing its service offer: our customers operate throughout Europe and expect services allowing them to continually make best use of capacity in the various grids so as to optimise their natural gas portfolios and supply their customers. Bearing this in mind, Fluxys launched several new services to boost the liquidity of the capacity market, notably by introducing open transfer of natural gas in the Zeebrugge area, more flexibility in the use of entry points for domestic gas transport, interruptible transit capacity, new services for exchanging transit capacity on the secondary market and services for loading LNG ships at the Zeebrugge LNG terminal.

Several points in Fluxys' favour to further develop its role as a crossroads

The Executive Board is determined to continue developing Fluxys' future by enhancing the company's role as an international crossroads. The company's strategy must therefore take account of a European capacity market where rival projects in transit and LNG terminalling are currently under development. Yet Fluxys has a few aces up its sleeve for dealing with this competition. Firstly, the company has developed a strong starting position on the map of Western European gas transmission infrastructure: the Fluxys grid is one of the best interconnected systems and shippers already have been using it as a crossroads for quite some time. The Fluxys grid is connected upstream to all major sources for the western European market - including LNG - and shippers can use it to move their gas downstream in any direction: to the Belgian market and to all the grids and systems in neighbouring countries. Moreover, with its subsidiary GMSL, Fluxys has considerable expertise in day-to-day use of the various gas networks in North-Western Europe. The company's solid financing capacity represents yet another point in Fluxys' favour. This financing capacity is an absolute must: the projects in Fluxys' indicative investment programme for 2008-2017 represent a total value of €2.8 billion.

"The Executive Board is determined to continue developing Fluxys' future by further enhancing its role as a crossroads in Western Europe"

Peter Verhaeghe, Gérard de Hemptinne,
Michel Vermout, Paul Tummers, Pascal De Buck

Special point of attention: European harmonisation of natural gas specifications

An important element in the context of strengthening the Fluxys grid's role as a crossroads is the fact that European countries continue to impose varying requirements regarding the composition of natural gas. In many cases, these variations hinder the free movement of cross-border flows. In this context Fluxys has decided to invest in infrastructure which will make it possible to more flexibly combine transit and transport flows on the east-west axis and at the same time keep the composition of natural gas sent under the Channel in accordance with specific British standards. From the point of view of the systemic efficiency of the European grids, however, this type of setup can only be considered a temporary and punctual solution. The only sustainable alternative is a greater harmonisation of natural gas specifications at the interconnection points. Within the European gas industry, Fluxys continues to be a driving force in developing harmonised specifications for optimal network interoperability, and the ball is now in the court of the European Commission and the national governments of the Member States to determine what the remaining steps will be to implement this harmonisation.

Uncertainties in the regulatory framework

The strengths that will help Fluxys to deal with competition on the capacity market and boost Fluxys' role as an international crossroads are nonetheless overshadowed by uncertainties in the regulatory framework. During our market consultations, it has become clear that a primary requirement of customers who are interested in new transit or LNG capacity is a regulatory framework that will remain stable and predictable in the long term. Legal certainty is vitally important as well. Fluxys for that matter shares its customers' concerns. The projects in question represent a significant share of our investment programme and stability and predictability are important conditions for a tariff approach providing an acceptable return on investment and therefore also for attracting outside financing capital.

Full support of shareholders and staff

Management can count on the full support of both the company's shareholders and its staff and this combination is indispensable to Fluxys' role as a first mover. The stable shareholders are complementary to one another and through their public-private partnership and shared vision they have always supported the future-oriented development of Fluxys.

The professionalism, thorough approach and sense of initiative of the company's staff enabled Fluxys to make some remarkable achievements in 2008 and allow it to confidently present its strategy as a decisive, forward-looking project. In light of this, the company keeps on making additional recruitment efforts so that it can continue to pursue its development through a strong human capital base ready to face up to upcoming challenges.

The Executive Board also wishes to recognise the significant contribution made by Sophie Dutordoir, who in her capacity as Chairman kept the company during a turbulent year on a steady course in a fast, energetic and competent manner, and with a lot of common sense.

The Fluxys Executive Board

THE FLUXYS GROUP IN A NUTSHELL

Services

Transport – Fluxys is responsible for the transmission of natural gas from the border to power stations, major industrial end users and distribution system operators.

Transit – Fluxys is also responsible for border-to-border transmission of natural gas destined for other end user markets in Europe, in the same way as natural gas passes through other countries en route to end users in Belgium.

Storage – Fluxys stores natural gas so that suppliers have a buffer they can use to meet their heating customers' needs when demand peaks during cold periods.

LNG terminalling – The Zeebrugge terminal facilities provide for loading and unloading ships carrying liquefied natural gas (LNG). LNG is temporarily kept in storage tanks at the terminal before being either regasified and injected into the grid for transport or transit, or re-loaded into loading LNG ships.

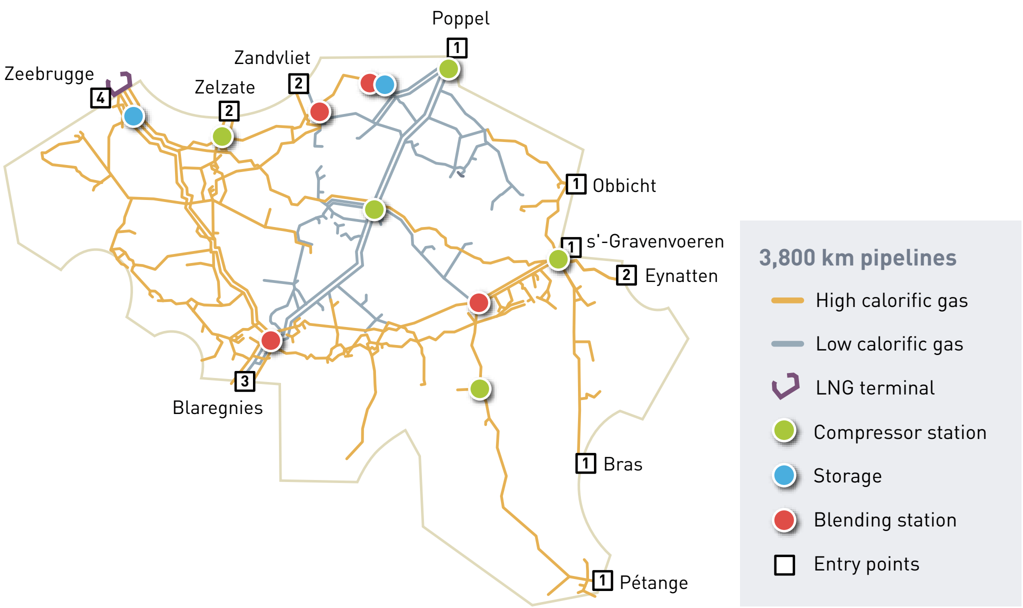
Hub services – Fluxys subsidiary Huberator offers traders a range of services so that they can trade natural gas efficiently at the Zeebrugge Hub, one of the leading short-term natural gas markets in Europe.

Operational support services – All the players in the natural gas chain from producers, LNG importers, traders and suppliers through to large end users can outsource the monitoring of nominations for their natural gas movements and transfers to Gas Management Services Limited (GMSL) subsidiary. The company offers its services on the UK and Irish grids, the continental European grids and the subsea pipelines in the North Sea. In addition to these operational support services, GMSL also provides specific operations software.

Liquefied natural gas

Natural gas is liquefied so that it can be transported over long distances by ship from LNG producing countries to end user markets. Natural gas is liquefied by cooling it down to -160° C, a process whereby the volume of the natural gas is reduced to 600 times less than its original volume. This process allows large amounts of energy to be shipped in relatively small volumes.

Infrastructure



With 18 entry points, the Fluxys grid ranks among the best interconnected systems in Europe.

Belgium does not have any natural gas of its own and therefore has to import its entire supplies. The entry points on the Fluxys grid are the natural gas portals connecting Belgium to pipeline supplies from the United Kingdom, Norway, the Netherlands, Germany and Russia. The Zeebrugge LNG Terminal is the entry point for liquefied natural gas supplies arriving by ship. In 2008, the LNG Terminal unloaded ships from Qatar, Egypt, Norway and Trinidad & Tobago.

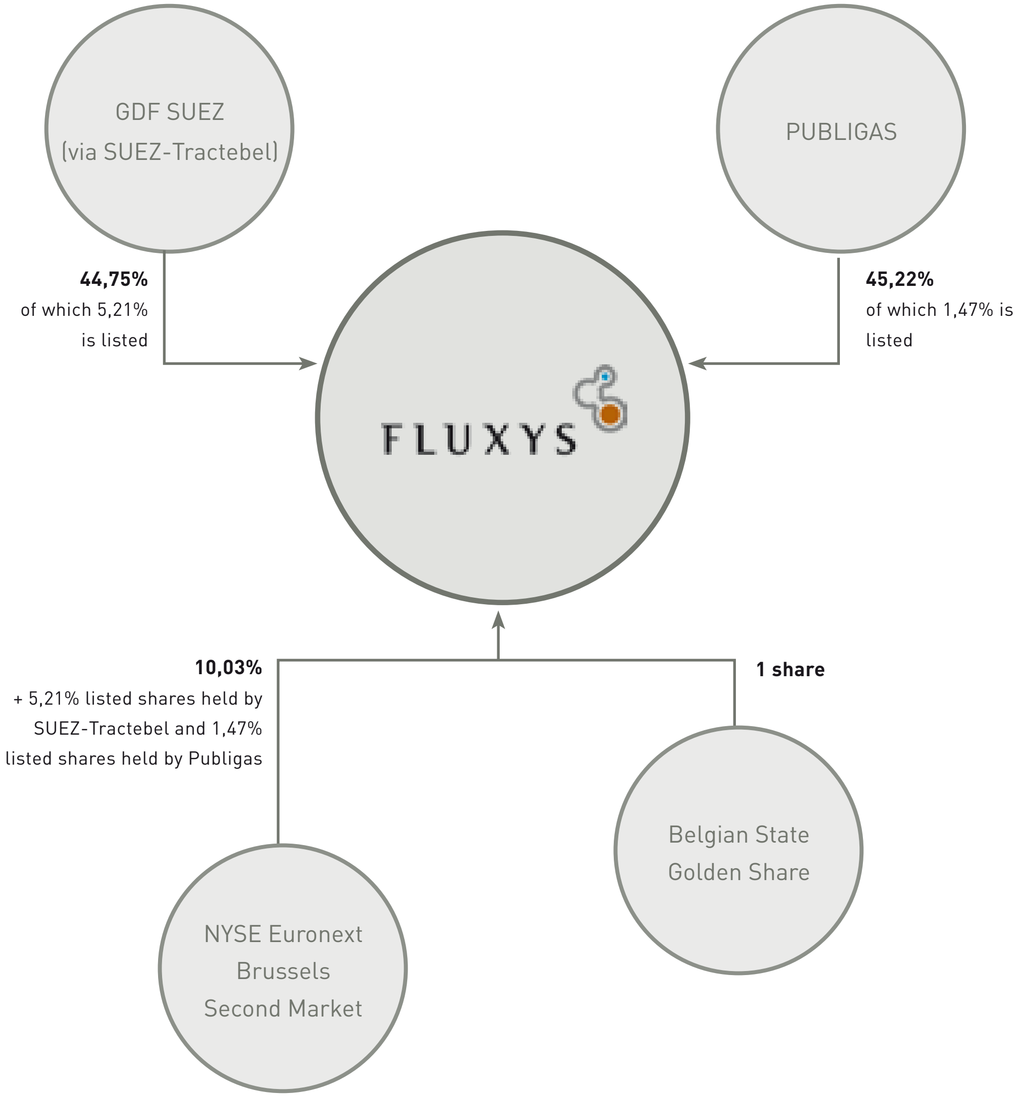
The Fluxys grid is a key crossroads in Western Europe for international transit flows in all directions: from east to west and from west to east and in both directions between Belgium and France.

European infrastructure: BBL pipeline

BBL Company (a joint venture between Gasunie, Fluxys and E.ON Ruhrgas) is responsible for transmission of natural gas via the subsea pipeline between Balgzand in the north of the Netherlands and Bacton in the south-east of the United Kingdom.

Fluxys grid : crossroads for international transit flows

Shareholders



Corporate bodies as at 5 March 2009

Board of Directors

Non-executive directors

Jean–Pierre Hansen, *Chairman*
Daniel Termont, *Vice-chairman*
Jacqueline Boucher
Yves Colliou
Chris De Groof
Julien Donfut
Sophie Dutordoir
Griet Heyvaert
Luc Janssens
Jacques Laurent, *Chairman of the Audit Committee*
Patrick Moenaert
Marc Pannier
Philippe Pivin

Marianne Basecq (1)
Sophie Brouhon (1)
Caroline De Padt (1)
André Farber (1), *Chairman of the Corporate Governance Committee*
Monique Lievens (1)
Henriette Van Caenegem (1)
Michel Van Hecke (1)
Philippe Wilmès (1), *Chairman of the Appointment and Remuneration Committee*

Paul De fauw (2)
Claude Grégoire (2)
Christian Viaene (2)

Federal government representative acting in an advisory capacity

François Fontaine

Invited in an advisory capacity

Gérard de Hemptinne, member and appointed to hold ad interim the chairmanship of the Executive Board.

Bérénice Crabs acts as secretary to the Board of Directors.

(1) Independent directors under the provisions of the Act of 12 April 1965 concerning the natural gas market (as later amended) and as provided for in the Corporate Governance Charter.
(2) Messrs De fauw and Grégoire meet the criteria for independence as stipulated under Article 524 of the Belgian Company Code and Mr Viaene those of the Belgian Corporate Governance Code.

Strategy Committee

Chairman

Jean-Pierre Hansen

Vice-chairman

Claude Grégoire

Members

Sophie Brouhon

Sophie Dutordoir (since 16 March 2009)

Jacques Laurent

Patrick Moenaert

Philippe Pivin

Michel Van Hecke

Philippe Wilmès

Federal government representative acting in an advisory capacity

François Fontaine

Invited in an advisory capacity

Daniel Termont

Gérard de Hemptinne, member and appointed to hold ad interim the chairmanship of the Executive Board.

Bérénice Crabs acts as secretary to the Strategy Committee.

Audit Committee

Chairman

Jacques Laurent

Members

Marianne Basecq

Sophie Brouhon

Paul De fauw

Chris De Groof

Michel Van Hecke

Philippe Defeijter acts as secretary to the Audit Committee.

Appointment and Remuneration Committee

Chairman

Philippe Wilmès

Members

Marianne Basecq

Sophie Brouhon

Sophie Dutordoir (since 16 March 2009)

Jean-Pierre Hansen

Christian Viaene

Anne Vander Schueren acts as secretary to the Appointment and Remuneration Committee.

Corporate Governance Committee

Chairman

André Farber

Members

Sophie Brouhon

Caroline De Padt

Jacques Laurent

Daniel Termont

Philippe Wilmès

Philippe Defeijter acts as secretary to the Corporate Governance Committee.

Company management *

Operational management of the company, including day-to-day operations and representation of the company to third parties, is the responsibility of the Executive Board.

Gérard de Hemptinne, member of the Executive Board in charge of the Asset Management Department and appointed to hold ad interim the chairmanship of this board, in this capacity in charge of Human Resources, Communications and Secretariat, Legal and Public Affairs,
Pascal De Buck, member of the Executive Board in charge of the Commercial Department,
Paul Tummers, member of the Executive Board in charge of the Strategy & Regulatory Affairs Department,
Peter Verhaeghe, member of the Executive Board in charge of the Infrastructure Projects & Engineering Department,
Michel Vermout, member of the Executive Board and Chief Financial Officer.

Bérénice Crabs acts as secretary to the Executive Board.

(*) At the meeting of the Board of Directors of 5 March 2009, the decision was taken to approve the appointment of Walter Peeraer as Chairman of the Executive Board and CEO. The appointment will take effect upon unanimous advice by CREG to be confirmed by the Board of Directors.

I. ANNUAL REPORT

In accordance with the Belgian Company Code, the Board of Directors is pleased to be able to present the annual report for the financial year 2008 for your company and group and to submit for your approval the annual accounts for the period ending 31 December 2008.

The message from the Chairman of the Board and from the Executive Board, together with the information contained in the other chapters of this report, give an overview of the main activities in 2008. There have been no subsequent events with a material impact on the financial statements.

Declaration regarding the financial year closed on 31 December 2008

We hereby attest that to our knowledge:

- Fluxys' financial statements, drawn up in accordance with the applicable accounting standards, give a fair and true view of the company's assets, liabilities, financial position and the results of the company and companies included in the consolidation scope;
- the annual report contains a fair and true description of the development in business, results and financial position of the company and the companies included in the consolidation scope, and a description of the main risks and uncertainties they face.

Brussels, 5 March 2009

Michel Vermout
Member of the Executive Board
Chief Financial Officer

Gérard de Hemptinne
Member and, since 19 January 2009, appointed to hold ad interim the chairmanship of the Executive Board

1. Key events

1.1 Results

Consolidated net profit: €112.9 million (2007: €81.8 million)

The increase in the consolidated net profit is mainly due to the rise in profits from activities that fall under the Gas Act (related to developments in interest rates) and the commissioning of the Zeebrugge LNG terminal's capacity enhancement.

Dividend for 2008: €52.5 net per share

Against a backdrop of uncertainty regarding the legal framework, the proposed net dividend per share for 2008 is €52.50, down from €81.00 in 2007, a total which included a non-recurrent distribution of reserves.

1.2 Services

New transport services. In 2008 Fluxys launched various services offering grid users the opportunity to optimise and add maximum flexibility to the use of existing capacity.

- The **Full ZEE Platform Service** enables grid users to transfer natural gas without any capacity limitations between all entry points in the Zeebrugge area.
- With the **Day Ahead Service**, grid users can freely choose, for both the current and next day, how much natural gas they will feed in at which entry points, depending on their commercial needs and grid availability.
- With the **Transit/Transport Synergy Service**, customers can, under specific conditions, convert transit capacity into transport capacity for natural gas supply to the Belgian market.

Fluxys now owns all transit capacity in Belgium. In 2008 Fluxys became the owner of all transit capacity in Belgium as a result of two takeovers:

- The takeover of Distrigas & C°, whose activities include the commercialisation of transit capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR1) pipelines. The name Distrigas & C° was subsequently changed to Fluxys & Co.
- The takeover of Gaz de France's 25% stake in SEGEO, owner of the infrastructure for moving natural gas between 's-Gravenvoeren and Blaregnies. Fluxys already had a 75% stake in SEGEO.

Interruptible transit capacity. Fluxys increased available transit capacity in the Belgian natural gas transmission system by offering interruptible transit capacity as from October 2008. The new service provides transit customers with a tool enabling them to increase flexibility in their portfolios and to better anticipate short-term needs.

Cut-down of flows from the east partly offset via Zeebrugge. Natural gas can flow in both directions on the east-west route in the Fluxys network. This bi-directionality proved its worth in supplying the European market when in January 2009 flows from the east were cut: grid users employed a substantial amount of capacity in the direction of Germany and France to meet supply obligations vis-à-vis end users throughout Europe.

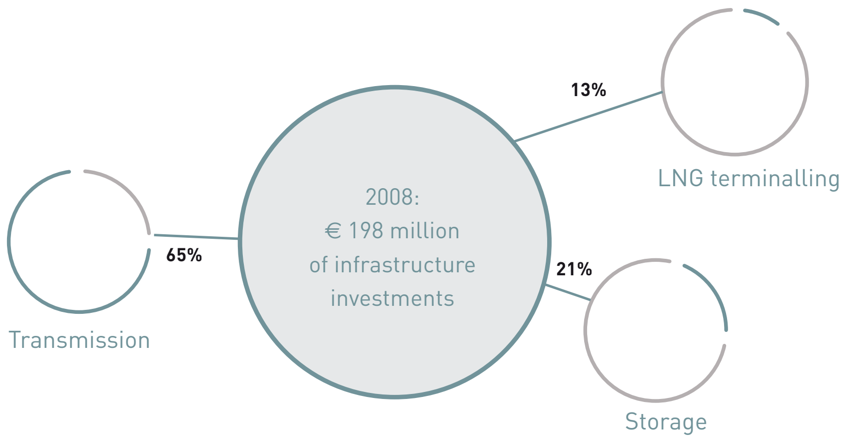
Capacity exchange between grid users. In 2008, Fluxys and GRTgaz developed under the **cap**square brand a joint electronic capacity trading platform in order to stimulate grid users to exchange capacity. Grid users can use the platform to offer capacity which they have booked in the Fluxys or GRTgaz grid but which they do not intend to use. This gives other grid users the opportunity to buy additional capacity in the short term.

LNG loading services now available as well. Since August 2008, LNG ships can be both unloaded and loaded at the LNG terminal. Fluxys LNG has launched its new LNG loading services in response to demand from terminal users to be able to capitalise more effectively on commercial opportunities on the LNG market. If the price of LNG is sufficiently high somewhere else in the world, then they can ship LNG from Zeebrugge to another end consumer market. These new loading services were used six times in 2008.

1.3 Infrastructures

No problem handling the winter peak. From 6 to 8 January 2009 the consumption of natural gas on the Belgian market hit a record high: daily offtake nearly reached 100 million cubic metres, 6.2% higher than the previous peak in 2002. Fluxys' transport infrastructure coped with the peak demand without any difficulty.

€198 million invested in infrastructure. Infrastructure investments by the Fluxys Group focus on projects to meet the growth in natural gas consumption and maintain the safe operation of infrastructure in line with good practice. The investments also aim to support competition on the natural gas market and further develop Belgium's role as a crossroads for international gas flows so as to enhance security of supply. In 2008, the Group invested €198 million in infrastructure, with 65% of this being invested in transport and transit projects, 21% in storage projects and 13% in LNG terminalling projects.



Zelzate compressor station commissioned. In early December 2008, Fluxys commissioned the Zelzate compressor station. The new facilities significantly boost transport capacity in the Fluxys grid. It also enables larger volumes to be transported to and from the underground storage facility in Loenhout. At a later stage, Fluxys will also use the facility to inject additional natural gas flows from the Netherlands into the Belgian grid.

Increase of storage capacity in Loenhout. The aim of the expansion, over a period of four years (2008-2011), is to gradually increase the workable storage capacity by 15% from 600 to 700 million cubic metres. In 2008 the workable storage volume increased from 600 to 625 million cubic metres.

Doubling the capacity of the LNG terminal. In April 2008 a fourth storage tank and additional regasification facilities came into service at the LNG terminal, doubling its throughput capacity from 4.5 to 9 billion cubic metres of natural gas per year and enabling reception of 110 LNG carriers per year instead of 66 previously.

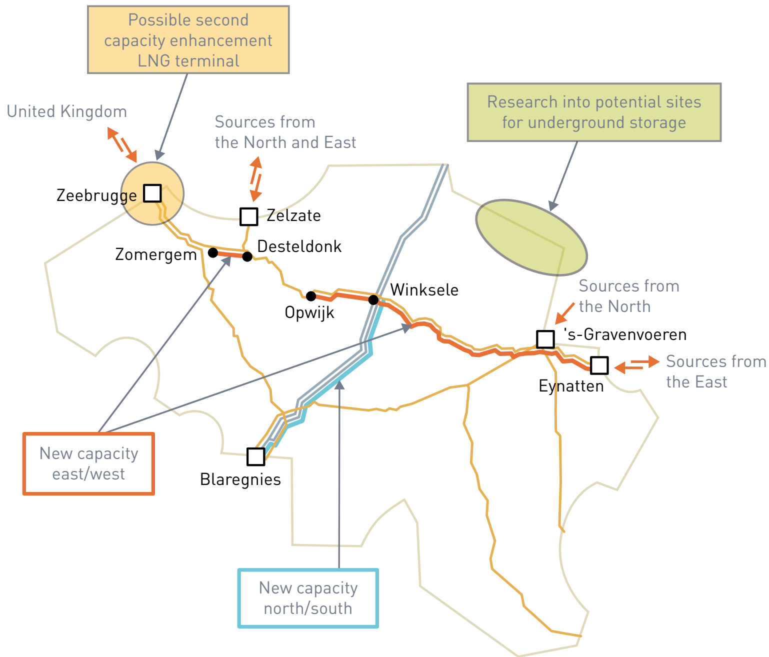
1.4 New developments

New east/west capacity. The Fluxys Board of Directors decided to build new capacity along the east-west axis (RTR2 project). The RTR2 project results from a market consultation which was held in 2005-2006 and led to contracts with 16 shippers for additional transit flows in both directions along the east/west Zeebrugge-Zelzate/Eynatten axis.

New north/south capacity: successful market consultation. In December 2008, Fluxys finalised its market consultation for new cross-border north/south capacity conducted in cooperation with adjacent system operators. In total, 14 grid users concluded long-term contracts for new capacity from Zeebrugge, 's-Gravenvoeren (Belgian-Dutch border) or Eynatten (Belgian-German border) to Blaregnies (French-Belgian border). Bearing in mind permitting procedures and the scale of investment required, among other things, the new capacity could be commissioned in late 2013.

Research continues in Limburg. In collaboration with the Flemish Institute for Technological Research (VITO) and the Limburg Investment Company (LRM), Fluxys is looking into potential sites for underground gas storage in the Kempen region of Limburg province. In the second half of 2008, the seismic research by VITO geologists revealed that feasible structures may be present. In order to confirm the characteristics of the subsoil and to analyse possible storage structures, Fluxys and VITO jointly took the decision in principle to carry out exploratory drilling. The drilling is planned for 2010.

LNG terminalling: ongoing market consultation for possible second capacity enhancement project. In 2007, Fluxys launched an international market consultation to assess the level of demand for a second capacity enhancement at the LNG terminal. Several players expressed a non-binding interest in various types of capacity. Fluxys LNG studied the concrete technical and economic aspects of these expressions of interest and the project proposal for a second capacity enhancement is now being discussed with the interested customers.



1.5 Legal and regulatory framework

CREG tariff decisions. Pursuant to the Gas Act, on 29 June 2007 the Belgian Official Gazette published the Royal Decree setting out the method for calculating the multi-year tariffs 2008-2011 (Royal Decree on tariffs of 8 June 2007). In line with the Royal Decree on tariffs, Fluxys submitted to CREG four-year transport and storage tariff proposals for 2008-2011. In December 2007, CREG decided to reject these proposals and impose provisional tariffs, set at the 2007 level, until CREG and Fluxys reach agreement on tariffs for 2008-2011.

On 15 May and 6 June 2008, CREG made a series of tariff-related decisions pertaining to the transport, transit and storage of natural gas. Fluxys contests the legitimacy and legality of these decisions and therefore took legal action to have them suspended and annulled.

- As regards the **transit** activities, on 10 November 2008 the Brussels Court of Appeal handed down a judgment on the petitions to suspend the relevant decision. Pending a final ruling on the merits of the case, the existing contracts and tariffs mentioned in these contracts continue to apply for transit services. The uncertainty of the situation was taken into account in the relevant provisions in the financial statements.
- Fluxys also disputes the CREG decision on **transport and storage activities**. The Court of Appeal has not yet pronounced its verdict on the Fluxys petitions to suspend and annul this decision. In anticipation of a judgment, bills for Fluxys transport and storage activities are provisional bills based on the provisional tariffs imposed by CREG on 19 December 2007.

New Belgian transit regulations. In February 2009, the Senate approved a bill clarifying the Gas Act regarding gas transit activities. The bill contains a number of provisions creating a new framework for transit activities.

1.6 Staff trends

92 new employees. In 2008, Fluxys and Fluxys LNG hired 92 members of staff – a net increase on 2007 of 51 staff members, bringing the total number of employees to 974 at the end of 2008. This was a sharper increase than the previous year due to Fluxys' explicit desire to retain and cement technical knowledge and know-how in the company. In 2009, Fluxys will continue to look for new talent.

1.7 Research and development

Applied research. Fluxys carries out R&D projects in-house and in cooperation with the *Association Royale des Gaziers Belges* (ARGB, the technical association of the Belgian gas industry) and other European gas companies under the umbrella of various national and international organisations, such as the European Gas Research Group (GERG), the European Committee for Standardisation (CEN), the International Organisation for Standardisation (ISO), the federation of European natural gas transmission companies (Gas Infrastructure Europe - GIE), EASEE-GAS (European Association for the Streamlining of Energy Exchange - Gas) and Marcogaz, the Technical Association of the European Natural Gas Industry.

The key research and development projects in which Fluxys was involved in 2008 were as follows:

- Development of a methodology for assessing methane losses during maintenance work and operation of compressors.
- Tests involving a molecular assessment system to detect and measure natural gas released into the air. This yielded good results, and a decision was taken to develop the system for operational use.
- Fluxys systematically inspects its pipelines using 'scrapers': measuring instruments which are inserted into a pipe and pushed through it with natural gas flow. However, they cannot be used in some pipes, and therefore a study has been launched to look into alternatives based on external measurements using ultrasonic or magnetic waves.

- The study continued into the possibilities of using changes in the frequency of light in fibre optic cables (signalling cables) to detect pipeline damage caused by third parties. Fluxys is also taking part in similar tests involving the acoustic detection of shocks close to pipelines.
- In 2008, a study was launched to investigate a new method to protect pipelines from corrosion induced by stray alternating current (for instance in the vicinity of high-voltage power lines). This has yielded good initial results.
- With a view to optimising data exchanges between natural gas companies, further steps were taken to make communication software via internet a possibility across Europe and standardise this software.
- Fluxys is contributing to developing international protocols and standards regarding electronic data exchanges between natural gas companies.
- A working group was set up to draft an international standard on measuring carbon dioxide (CO_2). A similar working group was established for measurements of methane (CH_4).

2. Financial situation

2.1 Fluxys Group – 2008 results (IFRS)

2.1.1 High level of uncertainty in the regulatory environment

The accounts for the year 2008 were drawn up in a regulatory environment where recognition of the results of our activities in 2008 was highly uncertain due to the decisions on tariffs taken by the Commission for Electricity and Gas Regulation (CREG).

Having rejected the multiannual tariff proposals submitted by Fluxys in 2007, CREG in its decision of 19 December 2007 imposed provisional transport and storage tariffs equivalent to those applied in 2007. Pursuant to this decision, Fluxys applied these tariffs from 1 January 2008.

On 15 May 2008, CREG published a decision on transit tariffs. This decision would have caused a substantial loss of revenue from our transit activities.

A Royal Decree of 27 May 2008 suspended this decision, but on 6 June 2008 CREG confirmed its initial decision regarding transit and joined a decision setting new provisional transport and storage tariffs that were 17% below the initial provisional tariffs. This would have caused loss of revenue from transport and storage activities as well.

Fluxys studied the decisions taken by CREG and was unable to agree with some of the analyses made by CREG. The company therefore decided to lodge an appeal before the Court of Appeal against these decisions and to maintain, as a precaution, the tariffs that were already being applied.

As regards the transit activities, the Court of Appeal handed down a judgment on 10 November 2008 suspending CREG decisions being contested. This is a provisional ruling which has to be confirmed by a final judgment. The legal proceedings seeking annulment are still in progress.

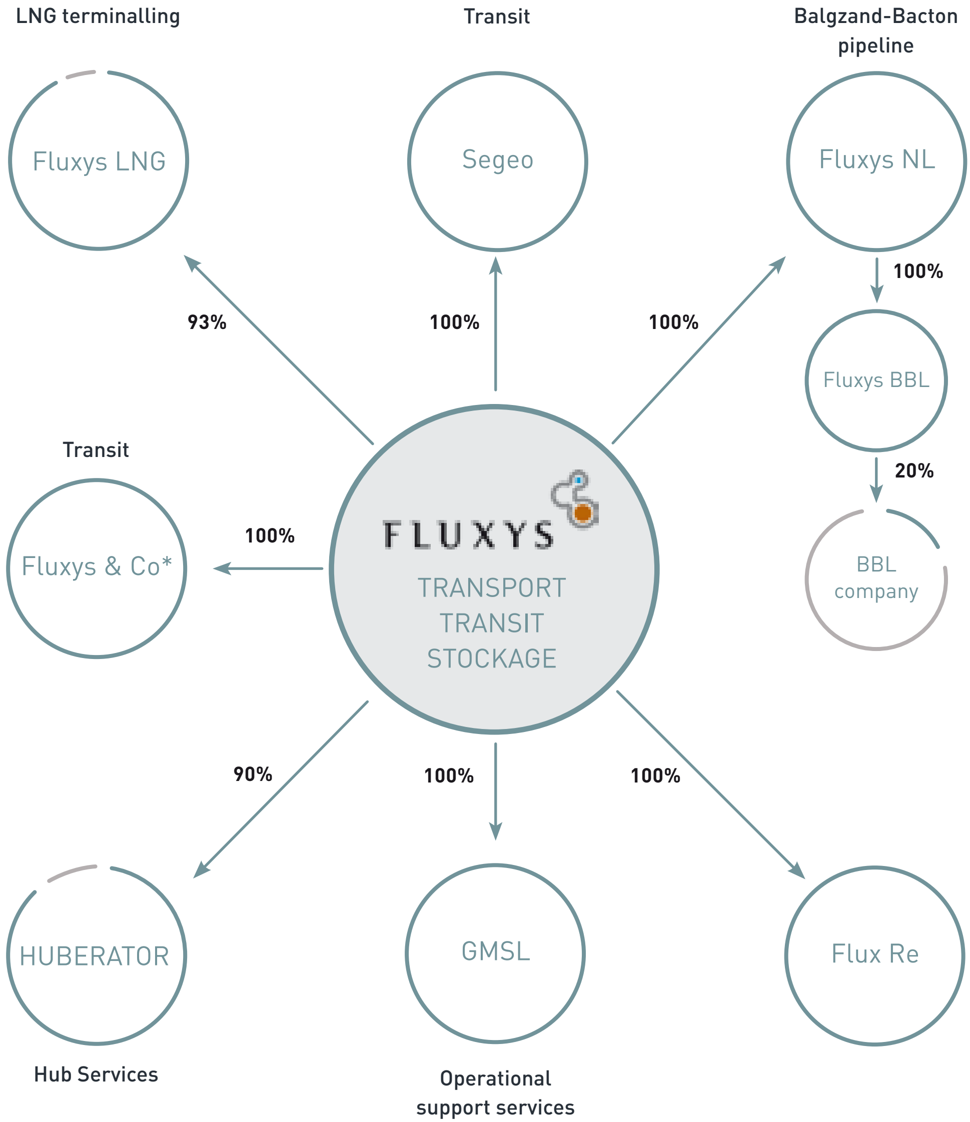
In April 2008, a fourth storage tank and additional regasification facilities were put into operation at the Zeebrugge LNG terminal. This enhancement has doubled the terminal's throughput capacity to 9 billion cubic meters of natural gas per year, allowing reception of 110 ships per year instead of 66 ships per year previously.

In the absence of final judgments at the moment of closing the financial statements for 2008, Fluxys has decided – while formally contesting CREG's positions –to take the principal of caution as its guideline and to factor the effects of the contested CREG decisions into its financial statements for 2008.

In view of the above uncertainty, the Board of Directors also decided to temporarily maintain at its initial level the value of the shareholding in Fluxys & Co acquired by Fluxys in July 2008.

As a reminder, the price paid to acquire Distrigas & C° is subject to an upward or downward adjustment depending on different parameters. If a long-standing loss is noted before 31 December 2015, compensation for such a reduction in the value of this shareholding will be given by Publigas and SUEZ-Tractebel, which have provided a non-joint guarantee of €250 million to this effect.

2.1.2 Consolidation scope



** Huberator holds 1 share of Fluxys & Co.*

The following changes have occurred in the consolidation scope and interest percentage since 31 December 2007:

- Fluxys & Co : fully consolidated as from 01-07-2008 :
  - revenue up €69.1 million,
  - net profit for the period up €13.0 million.
- SEGEO: switch from proportionate consolidation (75%) to full consolidation following the acquisition of the 25% of the capital not yet held by Fluxys, with effect from 1 July 2008:
  - revenue up €0.7 million,
  - net profit for the period up €0.6 million.
- Flux Re: in January 2008, this company took over coverage of the risks of the Group, a role previously undertaken by Distri Re. This change had no effect on the consolidated accounts.
- APX Gas Zeebrugge: left the consolidation scope with effect from 1 January 2008 as the Group's shareholding was sold to APX BV in the first semester of 2008, yielding a gain of €1.8 million in the consolidated result.

2.1.3 Summary consolidated income statement (in thousands of €)

Consolidated income statement	(in thousands of €)	
	31-12-2008	31-12-2007
Revenue	**592,203**	**433,041**
Profit from operations	176,977	109,754
Profit from the disposal of financial assets	3,016	0
Net financial income	-20,775	7,868
Profit from continuing operations	**159,218**	**117,622**
Income tax expense	-46,323	-35,801
Net profit for the period	**112,895**	**81,821**
Fluxys share	110,964	77,077
Minority interest	1,931	4,744
Net earnings per share attributable to equity holders of the parent company (in €)	157.9253	109.6969
Average number of shares in issue	702,636	702,636

Revenue. Revenue for 2008 totalled €592,203 thousand, compared to €433,041 thousand for 2007, representing an increase of €159,162 thousand.

Transmission services (transport and transit), storage services and terminalling services in Belgium are subject to the Gas Act[1].

Revenue from activities subject to the Gas Act increased by €149,398 thousand. The following events had a positive influence on revenue from these activities:

- Fluxys acquired Fluxys & Co, which has been contributing to revenue since 1 July 2008, mainly through turnover resulting directly from its transit contracts.
- The facilities enhancing capacity at the Zeebrugge LNG terminal were commissioned on 1 April 2008. The number of invoiced slots gradually rose from 66 to 110.

(1) Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

In 2008, Fluxys carried out major adjustments or extenstions to the pressure-reducing stations for distribution system operators in Merelbeke, Liedekerke, Jupille en Rijkevorsel.

- The authorised rate of return increased, a development linked to trends in interest rates.
- CREG's decisions following its check of the results of the previous financial year, which had caused negative effects on the accounts for 2007.
- The level of operating expenses rose due to inflation in 2008. This increase does not affect the results for the period as its impact is factored into the acquired tariffs.

Revenue from other activities also increased (by €9,764 thousand), mainly due to additional earnings from the BBL pipeline and the acquisition of Fluxys & Co, whose revenue from renting out the LNG carrier has been integrated since 1 July 2008.

Profit from operations. As mentioned above, the main factors contributing to the growth of the Fluxys profit from operations are the following: investments, the increase in authorised rates of return for activities subject to the Gas Act, the commissioning of facilities enhancing the capacity of the Zeebrugge LNG terminal, the contribution made by Fluxys & Co over a period of 6 months and an increase in revenue from Fluxys' participation in the BBL pipeline.

Net financial income. The main factor contributing to the decrease in financial income is the increase in the Group's borrowing costs. This increase was primarily due to new loans to finance the investments and acquisitions of the financial year 2008. The commissioning of the Zeebrugge LNG terminal capacity enhancement also meant that interest on the Fluxys LNG debt was no longer capitalised from April 2008.

Income tax expense. The increase in income tax expense was due to the increase in earnings before taxes. However, this increase was eased by the inclusion of non-taxable income from financial assets.

2.1.4 Summary consolidated balance sheet (in thousands of €)

ASSETS	(in thousands of €)	
	31-12-2008	31-12-2007
I. Non-current assets	**2,345,416**	**1,729,056**
Property, plant and equipment	1,883,406	1,543,585
Intangible assets	17,549	14,179
Goodwill	410,758	4,507
Other financial assets	2,989	394
Other assets	30,714	166,382
Deferred tax assets	0	9
II. Current assets	**316,186**	**340,594**
Inventories	67,981	33,980
Other financial current assets	15,306	0
Trade and other receivables	58,997	71,797
Cash and cash equivalents	166,658	219,500
Other assets	7,244	15,317
Total assets	**2,661,602**	**2,069,650**

Non-current assets. The increase in non-current assets is partly due to investments in tangible fixed assets and intangible assets made during the year (€209.3 million), less a depreciation of €78.3 million. Most of this investment was in transmission (€139.6 million), storage (€40.8 million) and the LNG terminal in Zeebrugge (€26.7 million). On the other hand, a goodwill amount of €402.6 million was recognised in 2008 following the 100% acquisition of subsidiary Fluxys & Co. Given the considerable uncertainty regarding the regulatory environment, the initial recognition of this cost of business combination related to transit activities was determined as a provisional amount.

Finally, due to the resulting change in consolidation scope, the rights applying to the Troll and RTR1 pipelines are no longer included in finance lease receivables but in "Property, plant and equipment" (€143.4 million), which also incorporates the LNG carrier jointly owned by Fluxys & Co.

Current assets. Current assets and, more specifically, "Cash and cash equivalents" decreased due to the financing of the above-mentioned acquisitions and investments. This decrease was partially offset by inventories increasing due to the demand for large amount of gas to balance the network and the acquisition of material to be used in the short-term for network projects involving construction, maintenance and repairs.

EQUITY AND LIABILITIES	(in thousands of €)	
	31-12-2008	31-12-2007
I. Equity	**1,288,511**	**1,239,647**
Equity attributable to the shareholders of the parent company	1,268,834	1,217,051
Share capital and share premiums	60,310	60,310
Retained earnings	1,210,254	1,157,275
Translation adjustment	-1,730	-534
Minority interests	19,677	22,596
II. Non-current liabilities	**967,479**	**713,088**
Interest-bearing liabilities	534,157	303,212
Provisions	23,541	22,477
Provisions for employee benefits	72,196	49,427
Deferred tax liabilities	337,585	337,972
III. Current liabilities	**405,612**	**116,915**
Interest-bearing liabilities	186,500	48,273
Provisions	95,486	6,810
Provisions for employee benefits	4,789	3,125
Other financial liabilities	3,333	0
Income tax payable	8,361	1,270
Trade and other liabilities	103,659	53,199
Other liabilities	3,484	4,238
Total equity and liabilities	**2,661,602**	**2,069,650**

Equity. (see table p.43 : 'Change in equity')

Non-current liabilities. The increase recorded for 2008 is primarily due to the European Investment Bank (EIB) awarding the Group a 25-year loan of €400 million, of which €280 million were drawn down in December 2008. The rise in provisions for employee benefits is mainly the result of the decrease in value of the plan assets held in pension funds and insurance companies, following the decline of the financial markets. In line with the Group's accounting principles, this had no effect on the results but did have a direct impact on consolidated equity.

Current liabilities. At the date of closing the accounts, the total for current liabilities exceeds the amount for 2007. Interest-bearing liabilities rose following short-term financing that was put in place to cover the Group's needs. The increase in provisions is the result of CREG's decisions concerning the transit tariff to apply and the interpretation as to which transit contracts fall within the scope of regulation. As indicated in point 2.1.1, the Fluxys Board of Directors decided to recognise in the results the authorised return on regulated activities on the assumption that the court appeals launched against the CREG's decisions would be unsuccessful. Finally, the rise in the amount owed to suppliers and other creditors is attributable to the booking of a large number of investment invoices in December 2008.

2.1.5 Change in equity (in thousands of €)

Change in equity			(in thousands of €)
	Equity attributable to the shareholders in the parent company	Minority interests	Total equity
Closing balance as at 31 December 2007	**1,217,051**	**22,596**	**1,239,647**
1. Profit for the period	110,964	1,931	112,895
2. Gains and losses directly recognised in equity	-16,374	-27	-16,401
3. Dividends distributed	-42,861	-4,769	-47,630
4. Changes in consolidation scope	0	0	0
5. Other changes	54	-54	0
Closing balance as at 31 December 2008	**1,268,834**	**19,677**	**1,288,511**

The change in equity corresponds to the profit for the year and the income and expenses recognised directly in equity minus the dividends paid throughout the year.

Most of the expenses recognised directly in equity are due to the impact of the decline of the financial markets on the value of the assets in contingency funds to cover the Group's pension commitments.

2.1.6 Summary consolidated cash flow statement (in thousands of €)

Summary consolidated cash flow table	(in thousands of €)	
	31-12-2008	31-12-2007
Cash and cash equivalents at the start of the period	**219,500**	**278,600**
Cash flow from operating activities [1]	277,044	40,564
Cash flow from investing activities [2]	-1,190,046	-138,880
Cash flow from financing activities [3]	315,282	39,216
Increase(/decrease) in cash and cash equivalents	-597,720	-59,100
Impact of acquisitions and divestures	544,878	0
Cash and cash equivalents at the end of the period	**166,658**	**219,500**

(1) Cash flow from operating activities also includes the variation in the working capital requirement.
(2) This amount factors in disinvestments.
(3) This cash flow comprises dividends paid.

2.1.7 Indicators

Indicators	2008	2007
RAB (in million €)		
Transport	1,022.3	1,006.2
Storage	201.2	183.4
Terminalling	302.3	307.1
WACC (in %)		
Transport	7.72	6.11
Storage	7.98	6.41
Terminalling	8.23	6.47
EBIT (in million €)	177.0	109.7
Net financial debt (in million €)	554.0	132.0
ROCE (in %)	6.28	3.79

EBIT: Earnings Before Interest and Taxes.

ROCE: Return on Capital Employed.

2.2 Fluxys SA – 2008 results (in Belgian GAAP)

Fluxys SA's net profit for 2008 is €65.9 million, compared with €96.3 million in 2007. This decrease is mainly due to one-time dividends collected in 2007 from SEGEO, Huberator and GMSL subsidiaries. Taking into account profit brought forward of €26.4 million and the statutory obligation to distribute at least 75% of the net profit, the Board of Directors will propose to the General Meeting that profits be allocated as follows:

- €43.1 million to profit to be carried forward,
- €49.2 million as a dividend to shareholders.

If this proposal is accepted, the gross dividend per share will be €70 (€52.5 net), compared with €108 in 2007 (€81.0 net). The dividend will be paid as from 19 May 2009.

2.3 Outlook 2009

Bearing in mind the development of its business activities for the current year, and barring any unforeseen circumstances, Fluxys expects to pay out a dividend that is at least equal to the dividend for the financial year 2008.

2.4 Activities and results of subsidiaries

Fluxys LNG SA (consolidated subsidiary – Fluxys stake 93.20%)

Fluxys LNG owns and operates the LNG Terminal in Zeebrugge and sells terminalling capacity and related services. In June and July 2004, Fluxys LNG signed long-term terminalling agreements with three shippers. These agreements prompted the company to invest in doubling the terminal's capacity. Works to enhance capacity started in October 2004, and the new facilities were put into operation in April 2008.

Fluxys LNG's equity was €318.4 million on 31 December 2008, compared with €318.3 million in 2007. The net result for the financial year 2008 was €17.6 million, compared with €6.2 million in 2007.

Fluxys & Co SA (consolidated subsidiary – Fluxys stake 99.98% and Huberator stake 0.02%)

Fluxys & Co sells natural gas transit capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR1) pipelines. The company also holds a 49% stake in a Norwegian partnership which owns the LNG ship *BW Suez Boston*.

On 30 June 2008, following the opinion of a Committee of Independent Directors, the Fluxys Board of Directors approved the takeover of Distrigas subsidiary Distrigas & C° by Fluxys (see 'Takeover of Distrigas & C° by the Fluxys Group', p. 59). The takeover went ahead on 1 July 2008. The name Distrigas & C° was subsequently changed into Fluxys & Co and the company switched from being an SCA (limited partnership with shares) to being an SA (public limited company). The takeover saw Distrigas being awarded the option to purchase the 10% stake Distrigas & C° had held in Huberator – an option which it exercised, meaning that Distrigas held a 10% stake in Huberator on 31 December 2008.

Fluxys & Co's equity was €532.2 million on 31 December 2008. The net result for the financial year 2008 was €41.6 million.

SEGEO SA (consolidated subsidiary – Fluxys stake 100%)

SEGEO - *Société Européenne du Gazoduc Est-Ouest* – owns the gas transmission infrastructure between 's-Gravenvoeren and Blaregnies. The infrastructure, which is operated by Fluxys, is used to move gas destined for Belgium and France.

To ensure that it could merge with SUEZ, Gaz de France made a commitment to the European Commission that it would sell its stake in SEGEO to Fluxys. Accordingly, Gaz de France and Fluxys signed an agreement on 27 June 2008 whereby Gaz de France sold to Fluxys (which already held a 75% stake in SEGEO) its 25% stake in SEGEO. This sale was approved by the European Commission on 2 October 2008.

Before a pipeline is laid, the pipes are welded together by especially trained welders. Every welded joint is checked by radiograph and some are also checked by ultrasound.

SEGEO's equity was €14.3 million on 31 December 2008, compared with €6.2 million in 2007. The net result for the financial year 2008 was €4.8 million, compared with €5.5 million in 2007.

Huberator SA (consolidated subsidiary – Fluxys stake 90%)

Huberator operates the Zeebrugge Hub and provides services to companies active on the Hub. In late 2008, the company had 73 members (70 at the end of 2007). Net trade volumes on the Zeebrugge Hub were up 13% from 2007. Approximately 43.5 billion cubic metres of natural gas were traded on the hub during the year, equivalent to more than 2.5 times the annual consumption rate for the Belgian market.

Huberator's equity was €3.8 million on 31 December 2008, compared with €3.9 million in 2007. The net result for the financial year 2008 was €4.9 million, compared with €3.7 million in 2007.

Gas Management Services Limited (consolidated subsidiary – Fluxys stake 100%)

Gas Management Services Limited (GMSL) offers operational support services to natural gas chain operators to monitor their natural gas movements and transfers on the British and Irish grids, on the continental European grids and in the submarine pipelines in the North Sea. GMSL is also Claims Validation Agent for shippers with National Grid Gas (UK).

GMSL's equity was €0.4 million on 31 December 2008, compared with €0.5 million in 2007. The net result for the financial year 2008 was €2.3 million, compared with €1.7 million in 2007.

Fluxys NL BV (consolidated subsidiary – Fluxys stake 100%)

Fluxys NL is a company established under Dutch law that was set up on 23 June 2004 primarily to hold a stake in Fluxys BBL BV. The company's capital is €27 million, represented by 270,000 shares each worth €100; 100% of this capital is paid up.

Fluxys NL's equity was €28.7 million on 31 December 2008, compared with €28.0 million in 2007. The net result for the financial year 2008 was €0.7 million, i.e. the same as in 2007.

Fluxys BBL BV (consolidated subsidiary – Fluxys NL BV stake 100%)

Fluxys BBL is a company established under Dutch law that was set up on 23 June 2004 as part of the Fluxys operation to take a 20% stake in BBL Company VOF. The company's capital totals €10.7 million, represented by 107,000 shares worth €100 each; 50% of this capital is paid up.

Fluxys BBL's equity was €11.7 million on 31 December 2008, compared with €5.4 million in 2007. The net result for the financial year 2008 was €6.4 million, compared with €3.0 million in 2007.

BBL Company VOF (joint venture –Fluxys BBL BV stake 20%)

BBL Company is a company established under Dutch law that was set up on 9 July 2004 to manage construction, operation and marketing of the underwater natural gas pipeline between Bacton (UK) and Balgzand (NL). The pipeline was commissioned on 1 December 2006.

BBL Company VOF's equity was €511.2 million on 31 December 2008, compared with €519.7 million in 2007. The pre-tax result for the financial year 2008 was €77.5 million, compared with €60.0 million in 2007.

Flux Re (consolidated subsidiary – Fluxys stake 100%)

Flux Re is a reinsurance company established under Luxembourg law that was set up on 18 October 2007. The Fluxys Group's insurance portfolio, which was still reinsured in 2007 under the captive reinsurance company Distri Re owned by Distrigas, was transferred to Flux Re in 2008.

Flux Re's equity was €4.8 million on 31 December 2008, compared with €3.5 million in 2007. The net result for the financial year 2008 was €1.3 million.

Belgian Pipe Control SA (non-consolidated company – Fluxys stake 25%)

Belgian Pipe Control (BPC) is responsible for low-level maintenance and inspection of pipelines belonging to third parties and used for the transmission of products other than natural gas.

Belgian Pipe Control's equity was €0.1 million on 31 December 2008, i.e. the same as in 2007.

C4Gas (non-consolidated company – Fluxys stake: 5%)
C4Gas is a public limited company set up in 2002 with Gaz de France and National Grid. Its aim is to create and operate a gas material purchasing portal.

APX BV (non-consolidated company – Fluxys stake: 3.84%)

APX BV is a group of international power and gas exchanges in the Netherlands, the UK and Belgium. The company also provides market data and indices for electricity and natural gas to meet the needs of traders, energy suppliers and energy-intensive industries.

In March 2008, Fluxys SA signed an agreement with the shareholders of APX Group – Gasunie and TenneT Holding BV – whereby the Fluxys Group sold its shareholding in APX Gas Zeebrugge BV and bought a direct 2.68% stake in APX Group.

In December 2008, APX acquired ENDEX, in which Fluxys held a 4.9% stake. This takeover saw all Fluxys' shares in ENDEX being exchanged for shares in APX, meaning that the Fluxys' stake in APX Group increased from 2.68% to 3.84%.

2.5 Risk management

2.5.1 Market risks and financial instruments

Exchange risk. Only the activities of the subsidiary GMSL are denominated in GBP, and only for limited amounts which do not require special cover. For the other Group entities, the financial flows expressed in foreign currencies (mainly USD) are hedged with futures contracts.

Interest rate risk. The Group's debt consists of:

- three loans at a fixed interest rate. On 31 December 2008, the Group had the following outstanding loans: a €3 million loan with a maturity date of 2011, a €76.5 million loan with a maturity date of 2017, and a €280 million loan with a maturity date of 2033,
- issue of commercial paper worth €70 million,
- leasing debts, which are partly hedged with interest rate caps and swaps.

Counterparty risk. In line with the policy approved by the Board of Directors, the cash surplus is invested either with prominent financial institutions or in the form of financial instruments issued by companies with high short-term and long-term ratings.

2.5.2 Financial risks linked to commercial transactions

The Group's counterparty risk policy allows it, for most of its activities, to demand guarantees from its counterparties on a contractual basis. These can take the form of either a bank guarantee or a cash deposit. The Group closely monitors the commercial debts owed to it and systematically assesses the financial capacity of its counterparties. By doing so, the Group limits its exposure to credit risks, in terms of both default and concentration.

2.5.3 Operational risks

Fluxys continually assesses the risks associated with the company's operational activities. No risks have been identified for which internal control processes prove to be inadequate.

Risks linked to the operation of Seveso sites. Fluxys and Fluxys LNG operate three Seveso sites, namely the LNG Terminal and the peak shaving facility in Zeebrugge and the underground storage facility in Loenhout. In accordance with Seveso legislation Fluxys and Fluxys LNG pursue a proactive risk management policy covering well-being at work, industrial safety and the environment.

Damage to infrastructure caused by third parties. Serious pipeline incidents arise mainly from damage caused by third parties. To avoid such damage, anyone planning or wanting to carry out work in the vicinity of natural gas transport infrastructure is legally obliged to notify Fluxys. Fluxys then confirms whether or not any natural gas transport infrastructure is located in the vicinity of the works. If this is the case, the applicant receives all the relevant information and details of further procedures to be followed to carry out the work safely. Fluxys also plays an active role in initiatives to keep the notification requirement threshold as low as possible (also see 'Notification of works made quick and simple thanks to CICC/KLIM', p. 135).

Fluxys inspectors in the field check the pipeline routes and assist contractors working in the vicinity of the pipelines. They also scrutinise pipeline routes to check whether there are any of them about which Fluxys has not been informed.

Fluxys regularly evaluates this integrated administrative and operational approach to works by third parties to identify ways in which it can be improved. The company also implements an active awareness-raising policy on safety issues for local authorities and all parties concerned by works close to its natural gas transport infrastructure.

Corrosion. The pipeline network is fitted with a cathodic protection system to prevent and monitor pipeline corrosion. The inside of the pipes is also systematically inspected using 'scrapers'. However, these instruments cannot be used in some pipes, so Fluxys is taking part in a study of the European Gas Research Group (GERG) into alternatives using ultrasonic or magnetic waves.

Environmental impact. The natural gas transport infrastructure has a minimal impact on the environment compared with other forms of transport, and Fluxys' environmental policy focuses on systematically reducing even that minimal impact (also see 'Environment', p. 143).

Availability of new capacity on time. Establishing pipeline routes in a densely populated country like Belgium is becoming ever more complex and a range of permitting procedures and laws need to be taken into consideration. There is also the problem of the distribution of powers between the federal and regional governments. All this means that it takes five or six years to implement an infrastructure project of any scale. In many cases that is longer than the time-frame within which the market requires new capacity. With this in mind, Fluxys launches authorisation procedures, and the preparations for such procedures, as soon as it can and tries to provide transparent information to the municipal authorities, local residents and other relevant parties from the very preliminary stages.

Crisis management. Competent teams have been set up to manage and control crisis situations resulting from incidents and accidents with a facility operated by Fluxys or Fluxys LNG. Members of these teams receive special crisis management training and are regularly invited to participate in crisis exercises.

2.5.4 Insurance

The Fluxys Group assesses the likelihood of the main risks connected with its activities and estimates the potential financial impact they could have if they materialised. Depending on the possibilities and the market conditions, the Group mainly covers these risks via the insurance market. In some cases, risks are entirely or partially covered via self-insurance (by using a reinsurance company) or part of the risk is kept self-retained, for example by applying appropriate deductibles.

In accordance with IFRS standards, provisions for risks covered by using an insurance captive are not recognized in the consolidated financial statements of the Fluxys Group. If a risk covered by such a captive materialises, the cost of the accident is to be charged to the financial year.

The comprehensive cover is in line with the best practices in the field and includes the different areas in which risks may materialise:

- protection of facilities against various types of 'material damage' and in specific cases also additional cover for 'operating losses',
- protection against liability towards third parties by means of comprehensive cover comprising several levels,
- staff programme: mandatory insurance cover (statutory insurance against work-related accidents) and staff healthcare programme.

2.5.5 Legal risks

Regulation. For the activities that fall under the Gas Act of 12 April 1965 (regulated activities) Fluxys is remunerated on the basis of their return on invested capital. In relation to these activities, Fluxys falls under the authority of ex-ante decisions (approval of budgets and tariffs) and ex-post decisions (approval of gains/losses and their purpose) of the Belgian federal regulator (CREG). A decision in which the regulator rejects the Group's expenditure can have an impact on Fluxys' financial situation and results.

Ex-post audit of the accounts. During the ex-post audit of the Fluxys accounts for 2007, CREG reviewed its interpretation of the guidelines regarding fair return on invested capital, causing a neutral impact on the profit for 2008.

Regulated tariffs. In June 2008, after rejecting the various tariff proposals Fluxys had submitted for the tariff period 2008-2011, CREG imposed provisional transit tariffs (the first regulated tariffs to be implemented) and lowered the provisional transport tariffs which it had originally set at 2007 levels.

Fluxys submitted petitions to the Brussels Court of Appeal (and also – as a precaution – to the Council of State) to suspend and annul the above CREG decisions. In its judgement of 10 November 2008 the Brussels Court of Appeal suspended the provisional transit tariffs. The appeal to annul these tariffs is still pending, as are the petitions to suspend and annul the provisional transport tariffs.

After challenging the CREG decisions regarding transit activities, Fluxys continued to apply the existing contractual tariffs. For transport activities, Fluxys went on applying the first set of tariffs laid down by CREG. These maintained the tariff levels used in 2007.

In view of the uncertainty surrounding tariffs, Fluxys took a precautionary approach when closing the accounts for 2008 (see 'Financial situation', p. 33 and the 'Notes' regarding the financial statements, p. 162).

Whenever Fluxys performs digging and drilling work, we ensure that arable soil and other soil layers are stored separately. When replenishing the trench, the arable soil and other soil layers are placed back separately and with care as to enable the best possible recovery of the soil.

Regulations. A new Royal Decree on the Code of Conduct regarding access to the natural gas transport networks is currently in preparation. The code will cover all regulated activities (including regulated transit activities). In February 2009, the Senate approved a law which amends the Gas Act by introducing a new tariff system for regulated transit activities and clarifying the scope of the system for protecting historical transit contracts (also see 'Legal and regulatory framework', p. 104).

Applications. In May 2007, Fluxys submitted three applications to the federal Energy Minister to be appointed in the definitive system as operator of the natural gas transport system, operator of the natural gas storage facilities and operator of the LNG terminalling facilities. The procedure is still ongoing.

Disputes and arbitration. In the normal course of its activities, Fluxys is involved in a number of lawsuits with third parties. Provisions are set aside in case they are required for these disputes and Fluxys also has insurance cover for any civil liability obligations vis-à-vis third parties.

As regards the Ghislenghien accident of 30 July 2004, Fluxys was indicted as a legal entity for involuntary manslaughter and assault due to a lack of foresight or precaution. On 16 January 2009, the examining magistrates referred Fluxys to the correctional court. Fluxys is now one of 14 defendants in these criminal proceedings.

Fluxys and/or its insurers have also been brought before the Brussels Court of First Instance and the commercial courts of Brussels and Tournai by several victims of the disaster. Fluxys and its insurers also lodged a writ for damages against the other defendants at the Tournai Court of First Instance. Currently, nine civil cases are pending.

3. Specific information

3.1 Structure of Fluxys capital on 31 December 2008

Shareholder		Class	Number of shares	%
Publigas	Registered	A	146,651	45.22
	Registered	B	116,812	
	Registered	C	43,942	
	Registered	D	10,334	
SUEZ-Tractebel	Registered	A	204,668	44.75
	Registered	C	73,164	
	Registered	D	36,600	
Public	Registered	D	186	0.03
	Dematerialised or bearer	D	70,278	10.00
Belgian State	Registered	Special share	1	-
			702,636	100

- Classification of shares:
  - class A: shares no. 2 to 351,320
  - class B: shares no. 351,321 to 468,132
  - class C: shares no. 468,133 to 585,238
  - class D: shares no. 585.239 to 702,636
  - the Belgian State owns share no. 1 which belongs to none of the aforementioned categories
- Holders of class A, B and C shares are collectively called stable shareholders.
- Class D shares are quoted on the Second Market of NYSE Euronext Brussels.
- Publigas, a limited liability cooperative company under Belgian law, is the municipal holding company for Belgian natural gas companies. The company's head office is established in Belgium at Galerie Ravenstein 4 (box 2), B-1000 Brussels.
- SUEZ-Tractebel is a limited company under Belgian law and a member of the GDF SUEZ Group. The company's head office is established in Belgium at Place du Trône 1, B-1000 Brussels.
- The Belgian State is represented by the Finance Minister.

3.2 Notification of major participations in Fluxys

3.2.1 Notification of major participation in Fluxys by Publigas*

In accordance with Article 74(8) of the Act of 1 April 2007, Publigas officially informed the Belgian Banking, Finance and Insurance Commission (CBFA) on 28 August 2008, that it holds 32.54% of the shares with voting rights in Fluxys (228,635 shares including 58,847 class A shares, 116,812 class B shares, 43,942 class C shares and 9,034 class D shares). The Publigas notification is available on the website of Fluxys: www.fluxys.com.

3.2.2 Notification of major participation in Fluxys by SUEZ-Tractebel*

In accordance with Article 74(8) of the Act of 1 April 2007, SUEZ-Tractebel officially informed the Belgian Banking, Finance and Insurance Commission (CBFA) on 28 August 2008, that it holds 57.25% of the shares with voting rights in Fluxys (402,236 shares including 292,472 class A shares, 73,164 class C shares and 36,600 class D shares). The SUEZ-Tractebel notification is available on the website of Fluxys: www.fluxys.com.

** Publigas and GDF SUEZ signed an agreement on 3 September 2008 regarding Publigas exercising its pre-emptive right, pursuant to Article 7 of the Articles of Association, to purchase the 87,804 shares that SUEZ-Tractebel transferred to Ecofin Limited in July 2008. Accordingly, the number of shares in Fluxys held by SUEZ-Tractebel is no greater than the number of shares held by Publigas and the SUEZ-Tractebel stake in Fluxys is no more than 45% (see 'Structure of Fluxys capital on 31 December 2008', p. 57).*

3.3 Takeover of Distrigas & C° by the Fluxys Group

3.3.1 Details of the transaction

On 30 June 2008, the Fluxys Board of Directors approved the takeover of Distrigas & C° by the Fluxys Group. Distrigas & C° was a Distrigas subsidiary which was responsible for commercialising natural gas transit capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR1) pipelines. In addition to its transit activities and a good cash position, Distrigas & C° had a 10% stake in Huberator and a 49% stake in a Norwegian partnership which owns the LNG ship *BW Suez Boston*.

Distrigas & C° was a limited partnership with shares. The company's managing partner was Distrigas. In the transaction, 4,999 of the 5,000 shares were acquired by the limited partner Fluxys. Fluxys subsidiary Huberator acquired one share and became the general partner and manager. The takeover came into force, from a legal perspective and for accounting purposes, on 1 July 2008, meaning that since then Fluxys has been in control of Distrigas & C°. The name Distrigas & C° was subsequently changed into Fluxys & Co and the company switched from being an SCA (limited partnership with shares) to being an SA (public limited company).

3.3.2 Strategically important takeover

The acquisition of the transit activities of Distrigas & C° is of strategic importance for the Fluxys Group for a number of reasons:

- The acquisition means that all the infrastructure activities (transit, transport, storage and LNG terminalling) have now been brought together in the same Group.
- Fluxys will therefore be able to step up the optimisation of synergies between transit and transport.
- By combining the activities in the Fluxys Group, Fluxys will be able to better tailor its investments and services to the requirements of a market in upheaval.

3.3.3 Financial impact

The total price of the transaction was €974.6 million (including €350 million for the transit activities). For the takeover of Distrigas & C°, Fluxys drew on debt financing worth €375 million.

3.3.4 Transaction between affiliated companies

The takeover was approved in line with the rules and regulations on transactions between affiliated companies (Article 524 of the Belgian Company Code).

A committee comprising three independent directors (André Farber, Philippe Wilmès and Michel Van Hecke) was set up and it appointed Degroof Corporate Finance and the law firm Tossens & Prioux as independent experts.

On the basis specifically of the 'fairness opinion' drafted by Degroof Corporate Finance, the committee of independent directors returned a positive opinion to the Fluxys Board of Directors regarding the operation as a whole, especially with regard to the price-adjustment mechanism, its duration and the compensation guarantee.

3.3.5 Price-adjustment mechanism and compensation

In view of the significant uncertainties in the tariff framework for transit activities, the agreement to purchase Distrigas & C° includes a price-adjustment clause. Under this clause, the agreed value of €350 million may be adjusted upwards if legislative, regulatory or judicial decisions result in a value for the aforementioned activities which is higher than the agreed value.

In collaboration with the Flemish Institute for Technological Research (VITO) and the Limburg Investment Company (LRM), Fluxys is currently looking into potential underground storage sites in the Campines region of the Limbourg province. In the second half of 2008 the seismic research revealed the possibility of structures to be present. In 2010 a drilling is planned in order to confirm the characteristics of the subsoil and to analyse possible storage structures.

Fluxys and Distrigas have agreed a price-adjustment period extending to 2015. This is to provide enough time for a clarification of the regulatory framework through a final legislative, regulatory or judicial decision. However, a final adjustment may be agreed upon earlier assuming that the above-mentioned uncertainties have been removed.

In addition, Fluxys has secured from SUEZ and Publigas a compensation guarantee of up to €250 million (with SUEZ providing 67.75% of the total and Publigas 32.25%). This is intended to cover the risk of the transit activities being valued at less than the agreed value of €350 million.

The purpose of these adjustment mechanisms is to ensure that, despite the uncertainties mentioned above, the price actually paid by Fluxys for the transit activities of Distrigas & C° corresponds, upon completion of the price-adjustment period, to the economic value of the relevant activities.

3.3.6 Disclosure pursuant to Article 524(3) of the Belgian Company Code

Conclusion of the committee of independent directors. The committee of independent directors came to the following conclusion:

"Having studied the financial effects for Fluxys SA and its shareholders, and examined whether or not the transaction has the clear potential to cause wrongful damage to the company in light of its policy and having heard the SUEZ-Tractebel and Fluxys management, the committee decided that:

- the transaction creates no unjustified benefits with respect to an affiliated company,
- the conditions of the transaction (price, object and guarantee) are those of an acceptable fair deal,
- it is currently difficult to accurately value the transit activities, but the basic price of the transfer agreement will be adjusted on the basis of predefined parameters, enabling the price adjustment to be definitively settled in accordance with the legal and regulatory situation and the definitive price to be set,
- the same parameters were included in the compensation agreement, whereby any compensation payable to Fluxys by the stable shareholders can be determined in order to cover the risks of a depreciation of the transit activities and the fiscal risk of restructuring and acquisition of the stake in the ship *Suez Boston*,
- the transaction is not liable to cause damage in light of the policy pursued by Fluxys,
- the deadline for the definitive valuation of the transit activities of Distrigas & C° - both in terms of the possibility of adjusting the price on the basis of the transfer agreement and in terms of any compensation as a result of the compensation agreement – entails the risk that there will be no clear and definitive situation that enables a valuation of the transit activities to be made.

The committee is in favour of the transaction as a whole in so far as the stable shareholders are given a full guarantee which remains valid until definitive judicial decisions having the effect of a final judgement have been made.

The aforementioned judgement is based on the information at the committee of independent directors' disposal at the start of the meeting of the Board of Directors on 26 June 2008.

Done at Brussels on 26 June 2008,

Michel Van Hecke, member
André Farber, member
Philippe Wilmès, chairman of the committee"

Extract from the minutes of the Fluxys Board of Directors' meeting. The minutes of the Fluxys Board of Directors' meeting on 30 June 2008 include the Board's decision and the statutory auditor's assessment of the reliability of the data contained in the opinion of the committee of independent directors and in the minutes of the Board of Directors' meeting.

At its meeting on 26 June 2008, the Board of Directors came to the following conclusion:

"Having heard the advice of the committee of independent directors and the experts, as well as the useful clarifications provided about this issue, the Board of Directors decides, on the basis of a unanimous vote, to acquire the 4,999 shares in Distrigas & C°, subject to approval by the Publigas Board of Directors of the guarantee agreement and the decision of the Distrigas Board of Directors of Monday, 30 June."

On 30 June 2008, the Boards of Directors of Distrigas and Transfin decided to sell the 5,000 Distrigas & C° shares to Fluxys (4,999 shares) and Huberator (1 share). The Fluxys Board of Directors confirmed its decision of 26 June 2008 at its meeting on 30 June 2008:

"The Fluxys Board of Directors confirms the decision it took on 26 June to purchase 4,999 shares in Distrigas & C° subject to obtaining the relevant guarantees."

These guarantees were provided: see 'Price-adjustment mechanism and compensation', p. 60.

Conclusion of the Auditor's report. The full report assessing the situation is available on our website www.fluxys.com.

"When carrying out our assignment, we used the following procedures:

a) we obtained the minutes of the Board meeting of 30 June 2008 and compared the conclusion with the conclusion, included in the opinion issued by the committee of independent directors,

b) we checked the accuracy of the financial information in the opinion issued by the committee of independent directors and the minutes of the Board meeting. As regards the particular case of transit activities, we looked at the adapted and generally accepted method for calculating the price adjustment.

Based on the procedures we used, we can make the following remarks:

- with regard to point a), we can confirm that the conclusion in the minutes of the Board meeting of 30 June 2008 tallies with the conclusion, included in the opinion issued by the committee of independent directors,
- with regard to point b), we can confirm that the financial information in the opinion issued by the committee of independent directors and the minutes of the Board meeting is accurate. Despite this assessment, we have not analysed the values of any transactions, nor can we attest to the appropriateness of the decision by the Board of Directors.

Our report may only be used within the framework of the transactions described above and may not be used for any other purpose. This report only concerns the aforementioned information and does not apply to any other information, regardless of its nature.

Antwerp, 27 August 2008

DELOITTE Company Auditors
SC s.f.d. SCRL
Represented by Jurgen Kesselaers"

In early December 2008, Fluxys commissioned the Zelzate compressor station. The new facilities segnificantly boost transport capacity in the Fluxys grid and enable larger volumes to be transported to and from the underground storage facility in Loenhout as well.

3.4 Voting rights and special control rights

The Annual General Meeting represents all the shareholders, i.e. the holders of registered and bearer shares, irrespective of their share class. The Annual General Meeting has all the powers necessary for making, executing or approving deeds that are in the interest of the company. The valid decisions it makes shall be binding for all shareholders, even absentees or people who do not agree with the decision.

Each share shall have the right to one vote. In compliance with the Royal Decree of 16 June 1994 (amended by the Acts of 29 April 1999 and 26 June 2002 and by the Royal Decrees of 16 June 1994 and 5 December 2002), and with the Articles of Association incorporating these, special rights shall be attributed to the golden share held by the Belgian State in Fluxys in addition to the ordinary rights attached to all other shares. The special rights are exercised by the federal Energy Minister and, in brief, are as follows:

- the right to oppose any transfer, the assignment as a guarantee, or change in what the strategic assets of Fluxys are used for, the list of which is attached to the aforementioned Decree dated 16 June 1994, if the minister considers that this operation adversely affects national interests in the field of energy,
- the right to appoint two representatives of the federal government in an advisory capacity to the Board of Directors and the Strategy Committee of Fluxys,
- the right of representatives of the federal government to appeal to the minister within four working days, using objective, non-discriminatory and transparent criteria (as defined in the Royal Decree of 5 December 2000), against any decision of the Fluxys Board of Directors or Strategy Committee (including the investment and business plan and the associated budget) which in their view breaches the national energy policy guidelines, including the government's national energy supply objectives. This appeal is suspensive. If the minister has not annulled the decision concerned within eight working days after this appeal, the decision shall become definitive,
- a special voting right in the event of deadlock in the Annual General Meeting concerning a question affecting the objectives of the federal energy policy.

The special rights attached to the golden share held by the Belgian State are listed under Articles 11, 15, 18 and 22 of Fluxys' Articles of Association. These rights remain attached to the golden share for as long as it is held by the Belgian State and Articles 3 to 5 of the Royal Decree of 16 June 1994 grant the state a golden Fluxys share or substituting provisions remain in force.

3.5 Limitations on share transfers set by law or the Articles of Association

The following share transfers are free:

- transfers of shares, subscription rights, ex-rights or independent rights enabling the purchase of shares (hereafter generally referred to as "the securities") between a shareholder and companies associated with the shareholder as per the meaning in the Belgian Company Code,
- transfers between shareholders of the same class,
- all transfers of securities relating to class D.

In all other cases, any shareholder planning to transfer securities to another shareholder or a third party, in any manner whatsoever, shall give all other shareholders, with the exception of those of class D and the 'golden share', the possibility of a priority purchase (on a prorata basis of their shareholding) of the securities relating to the planned transfer, according to the methods defined hereafter.

A shareholder planning to transfer shares must inform the company in writing, with acknowledgement of receipt, of the number of shares he plans to sell, the name of the prospective assignee(s) deemed to be of good faith, and the price irrevocably offered by said assignee, and offers these shares to the shareholders preferably under the same conditions. The Board of Directors shall inform the other shareholders of this offer in the same manner within two weeks. Every shareholder shall then have a sixty-day period, as from receipt of the aforesaid written notification to inform the transferring shareholder and the company, in writing with acknowledgement of receipt, whether or not he shall submit a bid and, if so, of the number of shares he wishes to acquire.

If requests exceed the number of shares offered for sale, the Board of Directors shall distribute the shares between the applicants on a prorata basis of the number of shares held by said applicants and up to the maximum number of shares stated in their request.

In the event that, upon the expiry of the aforementioned period of 60 days, no shareholders have indicated their intention to acquire the shares offered, or where the number of shares requested by the shareholders is less than the number of shares offered, the shareholder indicating its intention to transfer shares in accordance with the provisions of this article shall be able to complete the planned transfer to the third party indicated in its notification and under the conditions indicated in said notification.

3.6 Issue or buy-back of shares

The Articles of Association of Fluxys authorise its Annual General Meeting to decide on acquiring its own shares according to the conditions set out in the Belgian Company Code. No decision has been taken by the Annual General Meeting in this regard. However, when the company acquires its own shares with a view to distributing them to its staff, the decision of the Annual General Meeting is not required.

In the case of a capital increase, the shares for subscription in cash must be preferentially offered to the shareholders, in proportion to the part of the capital that their shares represent. However, the Annual General Meeting, in the interests of the company, may limit or eliminate the right of preference in compliance with legal provisions.

3.7 Special provisions in contracts in the event of a takeover bid

In the context of the construction and operation of the subsea BBL pipeline between Balgzand (NL) and Bacton (GB), Fluxys, Gasunie and E.ON Ruhrgas concluded agreements containing clauses on the changeover of the holding company.

II. CORPORATE GOVERNANCE

1. Developments in 2008

In 2008, Fluxys implemented the necessary measures to change its structures in line with recent legal and regulatory developments and recommendations in the area of corporate governance. The company also complies with the new transparency rules applying to listed companies.

Articles of Association of the company. Fluxys' Articles of Association were amended at the Extraordinary General Meeting on 13 May 2008 so that Fluxys' corporate object includes the restrictions on activities and participations by operators as provided for under the Gas Act. This amendment is in line with the application that Fluxys submitted to be appointed, under the definitive system and for a renewable period of 20 years, operator of the natural gas transport system, operator of the natural gas storage facilities and operator of the LNG facilities. This application, which Fluxys submitted on 21 May 2007, is still being examined by the government.

Corporate Governance Charter. The Corporate Governance Charter was amended twice in 2008. The updated Corporate Governance Charter is available on the Fluxys website www.fluxys.com.

- The charter was amended on 27 February 2008 with updated information on the regulatory framework that applies to Fluxys. References to EU Regulation 1775/2005, which came into force on 1 July 2006, and the new decisions of 8 June 2007 replacing the main tariff decisions were added to the charter. In addition, the maximum amounts of Executive Board commitments in the regulated and unregulated activities were coordinated with one another.
- The charter was amended again on 16 April 2008 to incorporate the delegation of the powers to draft and publish interim statements by the Board of Directors to the Executive Board.

Shareholding structure of the company. In the context of their merger, GDF and SUEZ made a number of commitments to the European Commission regarding the shareholding structure and the corporate governance of Fluxys. As regards the shareholding structure of Fluxys, GDF SUEZ pledged that the merged company and Publigas would each hold an identical stake of up to 45% of Fluxys' capital. This led to Publigas exercising its pre-emptive right to purchase 87,804 Fluxys shares that SUEZ-Tractebel had transferred in July 2008, meaning that the GDF SUEZ stake in Fluxys is 44.75% and the stake held by Publigas is 45.22%.

Takeover of Distrigas & C° by the Fluxys Group. On 30 June 2008, Fluxys' Board of Directors approved the takeover of Distrigas & C° by the Fluxys Group. The takeover was approved in accordance with the legislative rules on transactions between affiliated companies (Article 524 of the Belgian Company Code; see 'Takeover of Distrigas & C° by the Fluxys Group', p. 59).

Changes in the composition of the Board of Directors. The term of office of Philippe Pivin as a director expires at the Annual General Meeting on 12 May 2009. On 5 March 2009, the Board of Directors decided to propose the appointment of Luc Hujoel as a director to replace Philippe Pivin.

The term of office of Michel Van Hecke as an independent director expires at the Annual General Meeting on 12 May 2009. The Act of 17 December 2008 stipulates that an independent director in the sense of the Belgian Company Code is not allowed to hold the position of non-executive director for more than three consecutive terms and these terms must not span more than twelve years. Accordingly, Michel Van Hecke cannot be a director for another term of office. Only the Nomination and Remuneration Committee has the right, in accordance with the Corporate Governance Charter, to nominate a candidate independent director. The Board of Directors will decide on whether to appoint the candidate after examination of the opinion from the Corporate Governance Committee.

2. Board of Directors

2.1 Composition of the Board of Directors

Article 11 of the Articles of Association stipulates that the Board of Directors consists of 21 to 24 members. Since the Annual General Meeting of 8 May 2007, the Board of Directors has comprised 24 non-executive directors including, pursuant to the Gas Act:

- eight independent directors under the provisions of this act,
- eight directors of the opposite sex.

2.2 Directors

Jean-Pierre Hansen *Director, Chairman of the Board of Directors*
Jean-Pierre Hansen, a civil engineering graduate, is the CEO of Electrabel. He is also Deputy Chairman of the Electrabel Board of Directors, Chairman of the Electrabel Strategy Committee and a member of the GDF SUEZ Executive Committee. In addition, Jean-Pierre Hansen is a director of SUEZ Energy Services, Agbar, ArcelorMittal and CNP. He is a professor at UCL (Catholic University of Louvain) and the École Polytechnique in Paris, and a director at the University of Liège. Jean-Pierre Hansen was appointed Director in May 1992 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2010.

Daniel Termont *Director, Vice-Chairman of the Board of Directors*
Daniel Termont is the Mayor of Ghent and Chairman of Publigas. He was appointed Director in May 1998 on the proposal of class B shareholders and his current term of office expires at the Annual General Meeting in May 2009.

Jacqueline Boucher *Director*

Jacqueline Boucher has a PhD in science and a degree in economics. She is the Executive Vice-President in charge of Economic Studies, Prices & Markets in the Energy Europe & International Business Line of GDF SUEZ. She was appointed Director in May 2006 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2012.

Yves Colliou *Director (since 5 March 2009)*

Yves Colliou graduated in engineering from the École Catholique des Arts et Métiers. He is the Executive Vice-President of GDF SUEZ in charge of the Infrastructures Business Line. He was appointed Director in March 2009 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2012.

Chris De Groof *Director*

Chris De Groof holds an MBA and MA in econometrics and a PhD in applied economics and is a professor at the University of Antwerp. He is in charge of Strategy and Sustainable Development in the Electrabel General Management Committee. He was appointed Director in May 2007 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2009.

Julien Donfut *Director*

Julien Donfut has a degree in political sciences. He acts as a permanent expert for the intermunicipal companies IEH and IGH and as an expert for Intermixt and Publigas. He was appointed Director in November 2007 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2010.

Sophie Dutordoir *Director (since 5 March 2009)*

Sophie Dutordoir has a degree in Romance philology and has also studied economics, finance and taxation and general management. She was Chairman of the Executive Board and CEO of Fluxys until 19 January 2009. She was appointed Director in March 2009 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2012.

Griet Heyvaert *Director*

Griet Heyvaert has a degree in Romance languages and economics. She is Public Affairs and Stakeholder Manager at Electrabel. She was appointed Director in June 2006 on the proposal of class C shareholders and her current term of office expires at the Annual General Meeting in May 2014.

Luc Janssens *Director (since 27 February 2008)*

Luc Janssens has a degree in law and is a lawyer. Since 2006, he has been acting Mayor of Kapellen. He was appointed Director in May 2008 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2009.

Isabelle Kocher *Director (until 27 February 2009)*

Isabelle Kocher has a degree from the École Normale Supérieure. She is General Manager of Lyonnaise des Eaux. She was appointed Director in May 2006 on the proposal of class A shareholders and resigned from her position as a Director with effect from 27 February 2009.

Jacques Laurent *Director*

Jacques Laurent is a civil engineer and director of several companies in the gas and nuclear sectors. He was appointed Director in May 1992 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2014.

Claude Marinower *Director (until 26 February 2008)*

Claude Marinower has a degree in law and is a lawyer and member of the Antwerp City Council. He was appointed Director in February 2002 on the proposal of class A shareholders. He resigned from his position as a Director with effect from 26 February 2008.

Patrick Moenaert *Director*

Patrick Moenaert has a degree in social sciences (sociology), is Mayor of Bruges, Director of Publigas and Chairman of the intermunicipal company Finiwo. He was appointed Director in May 1998 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2009.

Marc Pannier *Director*

Marc Pannier is a graduate of the École Supérieure de Commerce in Paris, the Institut d'Études Politiques in Paris and a former student of the École Nationale d'Administration. He is Corporate manager of Integration, Synergies and Performance at GDF SUEZ. He was appointed Director in February 2007 on the proposal of class C shareholders and his current term of office expires at the Annual General Meeting in May 2011.

Walter Peeraer *Director (until 28 February 2009)*

Walter Peeraer, a law graduate, is Chief Corporate Officer of Electrabel. He was appointed Director in November 2001 on the proposal of class A shareholders. He resigned from his position as a Director with effect from 28 February 2009.

Philippe Pivin *Director (until 12 May 2009)*

Philippe Pivin, a law graduate, is the Mayor of Koekelberg and a member of the parliament of the Brussels Capital Region. He was appointed Director in February 2003 on the proposal of class A shareholders and his current term of office expires at the Annual General Meeting in May 2009.

2.3 Independent directors

2.3.1 Independent directors under the provisions of the Gas Act

Marianne Basecq *Director*

Marianne Basecq has a degree in business administration with additional training in public management. She is a General Advisor for holding Socofe SA. She was appointed Independent Director in May 2007 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2013.

Sophie Brouhon *Director*

Sophie Brouhon, a graduate in economics and public management, currently holds the role of French Community Government Commissioner. She was appointed Independent Director in May 2007 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2013.

Caroline De Padt *Director*

Caroline De Padt studied economics, modern languages and business administration and is active in the General Committee for the Management of the Social Status of Self-employed Workers. She was appointed Independent Director in May 2007 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2013.

André Farber *Director*

André Farber has a PhD in applied economics and is Professor and Vice-Rector at the Université Libre de Bruxelles. He was appointed Director in December 2003 on the proposal of class A shareholders and Independent Director by the Extraordinary General Meeting of 14 January 2004. His current term of office expires at the Annual General Meeting in May 2014.

Over a period of 4 years (2008-2011) Fluxys is progressively increasing the workable underground storage capacity at the Loenhout site from 600 to 700 million cubic metres. Capacity enhancement works in 2008 included drilling of two additional operating shafts.

Monique Lievens *Director*

Monique Lievens has a degree in economics and specialised in business economics. She is Human Resources Advisor at the National Bank of Belgium. She was appointed Independent Director in May 2007 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2013.

Henriette Van Caenegem *Director*

Henriette Van Caenegem has a degree in law. After making a career as a company lawyer at UCB SA and Cytec Surface Specialties SA, she was the Managing Director of the Foundation against Cancer for two years. She is currently responsible for providing legal and contractual support for UGent TechTransfer, the technology transfer unit of the University of Ghent. She was appointed Independent Director in May 2006 on the proposal of class A shareholders and her current term of office expires at the Annual General Meeting in May 2012.

Michel Van Hecke *Director (until 12 May 2009)*
Michel Van Hecke has a PhD in economics, is a company director and professor emeritus. He was appointed Director in September 1981 on the proposal of class A shareholders and Independent Director by the Extraordinary General Meeting of 14 January 2004. His current term of office expires at the Annual General Meeting in May 2009.

Philippe Wilmès *Director*
Philippe Wilmès has a PhD in law, a PhD in applied economics, is Managing Director of the Belgian Corporation for International Investment and honorary Regent with the National Bank of Belgium. He is also director of various other companies. He was appointed Director in December 2003 on the proposal of class A shareholders and Independent Director by the Extraordinary General Meeting of 14 January 2004. His current term of office expires at the Annual General Meeting in May 2011.

2.3.2 Independent directors appointed under the provisions of the Belgian Companies' Code

Paul De fauw *Director*
Paul De fauw, who holds a degree in applied economics and commerce, is the Managing Director of West-Vlaamse Energie- en Teledistributiemaatschappij (WVEM) and CEO of INFRAX CVBA. He was appointed Director in December 2003 on the proposal of class B shareholders and Independent Director by the Extraordinary General Meeting of 14 January 2004. His current term of office expires at the Annual General Meeting in May 2014.

Claude Grégoire *Director*
Claude Grégoire is a civil engineer and Chief Executive Officer of Socofe. He was appointed Director in October 1994 on the proposal of class B shareholders and Independent Director by the Extraordinary General Meeting of 14 January 2004. His current term of office expires at the Annual General Meeting in May 2012.

2.3.3 Independent directors appointed under the provisions of the Belgian Corporate Governance Code

Christian Viaene *Director*
Christian Viaene is a sales engineer and has a degree in applied economics. He is Managing Director of the Brussels intermunicipal gas and electricity companies and General Secretary of Publigas. He was appointed Director in March 2005 on the proposal of class C shareholders and Independent Director by the Board on 18 January 2006. His current term of office expires at the Annual General Meeting in May 2009.

2.4 Federal government representatives with extraordinary powers as stipulated in the laws of 26 June 2002 and 29 April 1999 and the Royal Decrees of 16 June 1994 and 5 December 2000

François Fontaine *Federal government representative (since 4 February 2009)*
François Fontaine was appointed federal government representative by the minister on 4 February 2009.

Dominique Offergeld *Federal government representative (until 15 May 2008)*
Dominique Offergeld was appointed federal government representative by the minister on 24 August 2004.

Maria-Isabella Detand *Federal government representative (until 27 February 2008)*
Maria-Isabella Detand was appointed federal government representative by the minister on 11 September 2006.

2.5 Presence of the Chairman of the Executive Board

Invited to all meetings of the Board of Directors:

- **Sophie Dutordoir**, Chairman of the Executive Board and CEO (until 19 January 2009),
- **Gérard de Hemptinne**, member and appointed to hold ad interim the chairmanship of the Executive Board (since 19 January 2009).

2.6 Secretariat

Bérénice Crabs acts as secretary to the Board of Directors.

2.7 Powers and matters for discussion

Pursuant to Article 18 of the Articles of Association, the Board of Directors has extensive powers to perform all acts pertaining to the administration and organisation of the company. Accordingly the Board of Directors, in strict compliance with legal and regulatory requirements:

- establishes the general policy of the company,
- studies and approves strategy, financial objectives and the company's general investment and development budget, on the basis of the proposals of the Chairman of the Executive Board or its own initiative,
- checks whether a system of internal controls exists and, if it does, how it works, including the identification and management of risks,
- ensures the quality and reliability of financial information,
- monitors the running of the business.

2.8 Frequency of meetings and attendance levels

The Board of Directors held three ordinary meetings and four extraordinary meetings in 2008.

Director attendance at Board meetings was as follows:

- Mss Basecq and Heyvaert and Messrs Donfut, Grégoire and Peeraer attended all meetings,
- Mr Janssens attended the six meetings to which he was invited,
- Mss Lievens and Van Caenegem and Messrs Hansen, Laurent, Moenaert, Viaene and Wilmès attended six meetings,
- Mss Boucher and De Padt and Messrs Van Hecke and Termont attended five meetings;
- Ms Brouhon and Messrs Pannier and Pivin attended four meetings,
- Messrs De fauw, De Groof and Farber attended three meetings,
- Mr Marinower did not attend any meetings to which he was invited,
- Ms Kocher did not attend any meetings.

The Board of Directors also took two decisions in 2008 (on 16 April and 5 May) on the basis of the unanimous written consent of the directors, pursuant to Article 521 of the Belgian Company Code and Article 15 of the Articles of Association.

2.9 Directors' emoluments and management remuneration

The 2007 Annual General Meeting decided to increase the total amount of gross remuneration for directors and government representatives to a maximum of €360,000 per year (subject to indexing), as from 9 May 2007, to be distributed by the Board of Directors among its members. It was also decided to pay out an attendance fee of €250 for each Board and Committee meeting. This total amount is allocated according to the criteria set out in the Corporate Governance Charter. For their work on the Board of Directors and on the various committees, the directors received the following emoluments and attendance fees:

Name	Total
Jean-Pierre Hansen	€29,174
Marianne Basecq	€20,033
Jacqueline Boucher	€9,641
Sophie Brouhon	€29,924
Paul De fauw	€14,087
Chris De Groof	€14,337
Caroline De Padt	€14,587
Julien Donfut	€10,141
André Farber	€15,337
Claude Grégoire	€16,087
Griet Heyvaert	€10,141
Luc Janssens	€8,577
Isabelle Kocher	€8,391
Jacques Laurent	€19,500
Monique Lievens	€10,891
Claude Marinower	€1,314
Patrick Moenaert	€16,087
Marc Pannier	€9,391
Walter Peeraer	€26,478
Philippe Pivin	€14,587
Daniel Termont	€20,533
Henriette Van Caenegem	€9,891
Michel Van Hecke	€8,000
Christian Viaene	€14,587
Philippe Wilmès	€26,728
Total	**€378,444**

No special payments (Article 18 of the Articles of Association) were made to directors in 2008.

Federal government representatives (attending Board and Strategy Committee meetings in an advisory capacity)

Dominique Offergeld	€5,703
Maria-Isabella Detand	€2,256

Remuneration received by the company's CEO in 2008

The remuneration received by Sophie Dutordoir in 2008 was as follows:

Basic remuneration	€403,500
Variable remuneration	€217,062
Other components	€195,615

(including the cost of pension, insurance cover, the monetary value of other advantages in kind, shares and share rights).

Particular provisions relating to the hiring or departure of the CEO: see below.

Overall remuneration in 2008 for the other members of the Executive Board of the company

Basic remuneration	€887,259
Variable remuneration	€216,991

The duties of a member of the Executive Board may be ended by either the company or by the individual member. However, a contractual clause applies to certain Executive Board members, including the CEO, which specifies that the company or the individual member must give six months' notice of termination. Deviations from this notice period are only permitted by mutual consent between the parties or in the case of compelling reasons. Moreover, in the event that the duties of certain members of the Executive Board, including the CEO, are ended for reasons that cannot be attributed to said members, at the end of the period of notice of six months, said members shall be contractually entitled to compensation from the company equal to 36 months of remuneration. Sophie Dutordoir's resignation on 6 January 2009 did not give rise to any payouts.

3. Committees formed by the Board of Directors

3.1 Strategy Committee

In accordance with its internal rules of procedure, the Strategy Committee comprises at least six non-executive directors, one third of whom must be classified as independent under the provisions of the Gas Act.

Chairman

Walter Peeraer (until 28 February 2009)

Jean-Pierre Hansen (since 5 March 2009)

Vice-Président

Claude Grégoire

Membres

Sophie Brouhon*

Sophie Dutordoir (since 16 March 2009)

Jean-Pierre Hansen (until 5 March 2009)

Jacques Laurent

Patrick Moenaert

Philippe Pivin (until 12 May 2009)

Michel Van Hecke* (until 12 May 2009)

Philippe Wilmès*

** Independent directors under the provisions of the Gas Act (Act of 12 April 1965 concerning the natural gas market, as later amended), as provided for in the Corporate Governance Charter.*

The fourth LNG storage tank at the Zeebrugge LNG Terminal increases the facility's cycling storage capacity to 380,000 cubic metres of LNG, equivalent to about 3 shiploads. The additional regasification facilities raise the send-out capacity to 1.7 million cubic metres of natural gas per hour, allowing an entire LNG cargo to be regasified and injected into the grid in about 2 days.

Federal government representatives acting in an advisory capacity

François Fontaine (since 4 February 2009)

Dominique Offergeld (until 15 May 2008)

Maria-Isabella Detand (until 27 February 2008)

Invited in an advisory capacity

Daniel Termont, Director

Sophie Dutordoir, Chairman of the Executive Board (until 19 January 2009)

Gérard de Hemptinne, member and appointed to hold ad interim the chairmanship of the Executive Board (since 19 January 2009)

Secretariat

Bérénice Crabs acts as secretary to the Strategy Committee

3.1.1 Tasks of the Strategy Committee

The Strategy Committee was set up within the Board of Directors in accordance with Article 19 of the Articles of Association. It prepares proposals of decisions to be submitted to the Board of Directors for approval in accordance with the applicable legal, regulatory and statutory provisions. Within the same framework, the Strategy Committee also monitors implementation of the Board's decisions.

The Chairman of the Executive Board, together with another member of the Fluxys staff where appropriate, presents the activities that fall under operational management (including day-to-day management) to the Strategy Committee and provides details. Pursuant to the Gas Act and specifically taking into account the rules on confidentiality, this report provides information on the transport, storage and LNG terminalling activities, legal and corporate developments in the legislative and administrative law framework, the safety of the facilities, the cash position and financing, investment budgets, the progress of projects, results in terms of health, safety and the environment, questions relating to important issues concerning the subsidiaries, and so on.

The Strategy Committee also studies all commitments, which the Chairman of the Executive Board must present to the Board of Directors for approval, in view of the nature or scale of the risks. The Chairman of the Executive Committee provides the Strategy Committee with all the appropriate information and further details.

The tasks and powers of the Strategy Committee are laid down by the Board of Directors and the Corporate Governance Charter.

3.1.2 Frequency of meetings and issues examined

The Strategy Committee normally meets monthly, except in July and August. The Strategy Committee met eight times in 2008. The Strategy Committee discusses the same issues as the Board of Directors (see p. 82).

3.1.3 Attendance levels at meetings

Director attendance at Strategy Committee meetings in 2008 was as follows:

- Ms Brouhon and Messrs Hansen, Moenaert and Peeraer attended all Strategy Committee meetings,
- Messrs Grégoire, Laurent and Termont attended seven Strategy Committee meetings,
- Mr Wilmès attended five Strategy Committee meetings,
- Messrs Pivin and Van Hecke attended four Strategy Committee meetings.

3.2 Audit Committee

In accordance with its internal rules of procedure, the Audit Committee comprises at least three directors, at least one third of whom must be independent in accordance with the provisions of the Gas Act.

Chairman

Jacques Laurent

Members

Marianne Basecq*

Sophie Brouhon*

Paul De fauw

Chris De Groof

Michel Van Hecke* (until 12 May 2009)

** Independent directors under the provisions of the Gas Act (Act of 12 April 1965 concerning the natural gas market, as later amended), as provided for in the Corporate Governance Charter.*

Accounting and auditing expertise of the members of the Audit Committee [1]

Jacques Laurent:

- graduate in civil engineering,
- from 1988 to 1999 head of the Tractebel Group's Strategy and Control Department, where he was in charge of monitoring and reporting on the consolidated accounts for the Board of Directors of the Tractebel Group.

Marianne Basecq:

- graduate in business administration (commerce and management) from the University of Liège (ULG), majoring in finance; she subsequently undertook additional training in the consolidation of corporate accounts,
- member of various audit committees.

Sophie Brouhon:

- graduate in economics and public management,
- head of the office of the Vice-President and Minister for Budget, Finance, Civil Service and Sport of the French Community of Belgium (i.e. the office exercising administrative and budgetary control for that Community). She is currently also French Community Government Commissioner in charge of the control and audit of the public-utility institutions falling under the authority of the French Community.

Paul De fauw:

- graduate in applied economics and commerce from the Catholic University of Leuven (KUL),
- CFO of a distribution system operator for 15 years and a member of audit committees and audit and risk committees of various companies for a number of years.

Chris De Groof:

- holder of a PhD in applied economics, an MBA and an MA in econometrics,
- holder of a whole range of financial positions between 1980 and 2000, providing assistance in the development of various audit activities.

(1) Pursuant to the Act of 17 December 2008, at least one member of the Audit Committee must assume responsibility for the independence and expertise of accounting and auditing operations.

Michel Van Hecke:

- graduate in commerce and holder of a PhD in economics. He studied accounting and balance sheet assessment for a number of years and has 25 years' experience of teaching the corporate financing course, for which a knowledge of accounting is needed,
- regular experience of performing financial analyses as part of his work as Vice-Chairman of the *Société nationale d'Investissement/Nationale Investeringsmaatschappij*.

Secretariat

Philippe Defeijter acts as secretary to the Audit Committee.

3.2.1 Tasks of the Audit Committee

The Audit Committee was set up within the Board of Directors to assist it, in accordance with Article 8(3)3 of the Gas Act, in the following tasks:

- examining the accounts and budget control,
- monitoring internal and external audits,
- evaluating the reliability of the financial information,
- organising and monitoring internal control,
- following up the tasks carried out by the statutory auditor,
- monitoring the effectiveness of internal risk management systems.

3.2.2 Reports

The Chairman of the Audit Committee presents to the Board of Directors the annual and half-yearly reports on the activities of the Audit Committee.

3.2.3 Frequency of meetings and issues examined

In 2008, the Audit Committee met six times to examine the following issues:

- the accounts on 31 December 2007 and 30 June 2008,
- the auditor's reports on the accounts on 31 December 2007 and 30 June 2008,
- the letter from the auditor containing recommendations on the financial year 2007,
- the financial report for 2007 and the financial report on 30 June 2008,
- ethical, deontological and environmental reports for 2007,
- the new ethical code covering the financial department,
- the impact on the accounts of the CREG decision about the closure of accounts for 2007,
- the impact on the accounts of the takeover of Distrigas & C°,
- the assessment of the effectiveness of the internal audit,
- the non-statutory pension systems and the impact on the company accounts,
- the proposal to change the depreciation rules,
- the new obligations of listed companies,
- the operation of and costs for the Internal Audit department,
- the schedule and activities for internal audit during 2008 and monitoring of recommendations made by the internal audit in 2007,
- the monitoring of recommendations made by internal audit in 2008,
- analysis of risks borne by the company,
- the auditor's schedule for 2008.

3.2.4 Attendance levels at meetings

Director attendance at the six Audit Committee meetings in 2008 was as follows:

- Mr Van Hecke attended all Audit Committee meetings,
- Ms Basecq and Mr Laurent attended five Audit Committee meetings,
- Mr De Groof attended four Audit Committee meetings,
- Ms Brouhon and Mr De fauw attended three Audit Committee meetings.

3.3 Appointment and Remuneration Committee

The Appointment and Remuneration Committee comprises at least three directors, at least one third of whom must be classified as independent under the provisions of the Gas Act.

Chairman

Philippe Wilmès*

Members

Marianne Basecq*

Sophie Brouhon*

Sophie Dutordoir (since 16 March 2009)

Jean-Pierre Hansen

Walter Peeraer (until 28 February 2009)

Christian Viaene

** Independent directors under the provisions of the Gas Act (Act of 12 April 1965 concerning the natural gas market, as later amended), as provided for in the Corporate Governance Charter*

Secretariat

Anne Vander Schueren acts as secretary to the Appointment and Remuneration Committee.

At the IZTF metering station in Zeebrugge, Fluxys built 6 new metering lines to handle the additional natural gas flows expected after the commissioning of the second pipeline between Eynatten and Opwijk (RTR2).

3.3.1 Tasks of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee was set up within the Board of Directors to assist it in all matters concerning the appointment and remuneration of Directors and members of management. Its tasks are to:

- make recommendations to the Board of Directors on the policy for appointing and remunerating members of management,
- make recommendations to the Board of Directors on individual remuneration of the Board members and the Committees within it,
- make specific recommendations to the Board of Directors concerning remuneration of the members of the Executive Board taking into account Article 8(5)(2) and (4) of the Gas Act,
- provide an opinion on the competence and qualifications of directors and members of the Executive Board who are nominated for appointment.

3.3.2 Reports

The Chairman of the Remuneration Committee submits the activity reports to the Board of Directors.

3.3.3 Frequency of meetings and issues examined

In 2008, the Appointment and Remuneration Committee met two times and examined the following issues:

- the recommendation on the appointment of a new Director,
- the opinion on the reappointment of directors whose term of office had expired,
- the recommendations on the basic remuneration for Ms Dutordoir for services provided in 2009,
- the recommendations on the variable remuneration for Ms Dutordoir for services provided in 2008,
- the 2008 evaluation and 2009 remuneration of the members of the Executive Board,
- the study of the classification and remuneration of executives,
- Spring 2009 (the shareholders' plan for SUEZ employees).

3.3.4 Attendance levels at meetings

Director attendance at the two Appointment and Remuneration Committee meetings in 2008 was as follows:

- Ms Brouhon and Messrs Hansen, Peeraer, Viaene and Wilmès attended all Appointment and Remuneration Committee meetings,
- Ms Basecq attended one Appointment and Remuneration Committee meeting.

3.4 Corporate Governance Committee

In accordance with its rules of internal procedure, the Corporate Governance Committee is composed of at least three non-executive directors, at least two thirds of whom must be classified as independent in accordance with the Gas Act.

Chairman

André Farber*

Members

Sophie Brouhon*

Caroline De Padt*

Jacques Laurent

Daniel Termont

Philippe Wilmès*

** Independent directors under the provisions of the Gas Act (Act of 12 April 1965 concerning the natural gas market, as later amended), as provided for in the Corporate Governance Charter.*

Secretariat

Philippe Defeijter acts as secretary to the Corporate Governance Committee.

3.4.1 Tasks of the Corporate Governance Committee

The Corporate Governance Committee was set up within the Board of Directors in order to carry out the tasks conferred upon it by the Gas Act. Article 8(3) of the Gas Act stipulates that the Corporate Governance Committee must:

- submit an opinion to the Board of Directors on the independence of candidates for independent directorships and on the members of the Executive Board,
- issue a statement in cases of incompatibility among Fluxys management and staff,
- ensure that the provisions of Article 8(3) of the Gas Act are applied, by evaluating the effectiveness of application as regards the objectives of independence and impartiality of operators as defined in the Royal Decree of 4 April 2003 on the Code of Conduct and submitting an annual report on this matter to the Commission for Electricity and Gas Regulation (CREG). The Chairman of said Committee shall send a copy of this report to the Chairman of the Board of Directors,
- keep the Board of Directors informed of all decisions made.

3.4.2 Reports

The Chairman of the Corporate Governance Committee submits activity reports to the Board of Directors.

3.4.3 Frequency of meetings and issues examined

In 2008, the Corporate Governance Committee met three times and examined the following issues:

- preparation of the report that the Committee submitted to CREG in 2008,
- the opinion on the re-election of an independent director,
- examination of and response to the observations and questions of CREG.

3.4.4 Attendance levels at meetings

Director attendance at the three Corporate Governance Committee meetings in 2008 was as follows:

- Ms De Padt and Messrs Laurent and Termont attended all Corporate Governance Committee meetings,
- Messrs Farber and Wilmès attended two Corporate Governance Committee meetings,
- Ms Brouhon attended one Corporate Governance Committee meeting.

4. Company management

The Executive Board is responsible for the operational management of the company.
It was chaired by Sophie Dutordoir until 19 January 2009, and since then by Gérard de Hemptinne, a member of this board.

4.1 Composition

Sophie Dutordoir, Chairman of the Executive Board (until 19 January 2009), Chief Executive Director (CEO), also in charge of Human Resources, Communication & Secretariat of the Board, Legal and Public Affairs,
Gérard de Hemptinne, member of the Executive Board in charge of the Asset Management Department and appointed to hold ad interim the chairmanship of this board since 19 January 2009, in this capacity in charge of Human Resources, Communication & Secretariat, Legal and Public Affairs,
Pascal De Buck, member of the Executive Board in charge of the Commercial Department,
Paul Tummers, member of the Executive Board in charge of the Strategy & Regulatory Affairs Department,
Peter Verhaeghe, member of the Executive Board in charge of the Infrastructure Projects & Engineering Department,
Michel Vermout, member of the Executive Board and Chief Financial Officer.

The Board of Directors' meeting on 5 March 2009 decided to nominate **Walter Peeraer** as Chairman of the Executive Board and CEO. He will be appointed subject to the agreement of CREG, approved by the Board of Directors.

Bérénice Crabs acts as secretary to the Executive Board.

In addition to the matters submitted to the Board of Directors (see p. 82), the Executive Board focused on the following issues:

- commercial activities: services offered, relations and negotiations with users of natural gas transport, natural gas transit, natural gas storage and LNG services, measures to increase market liquidity, purchases of natural gas for balancing, contacts with industrial customers connected to the Fluxys grid, distribution system operators and transmission system operators in bordering countries,
- business development: potential synergies and opportunities to cooperate with other grid operators in Europe, organisation of international market consultations,
- finance: annual and half-yearly financial results and interim statements, audit policy, drawing up and monitoring the budget, efficient cost management,
- regulation and legal framework: tariff proposal (transport, storage, transit and terminalling) and budget, application to be appointed operator, monitoring of regulation at Belgian and EU levels, code of conduct and monitoring of the petitions submitted at the Court of Appeal regarding CREG decisions,
- infrastructure and operations: Zeebrugge terminal extension, grid safety (QSMS), investment projects, storage policy, HSEQ, policy and results on accidents at work, debriefing and lessons to be learned from incidents or near-incidents on the grid, monitoring of the Ghislenghien issue,
- organisation and human resources,
- the new obligations of listed companies regarding transparency and the quality and reliability of the published financial information,
- signing authorities,
- the takeover of the transit activities of Distrigas & C° and the acquisition of the GDF stake in SEGEO,
- impact of SUEZ/Gaz de France merger on Fluxys,
- the stake in APX Gas Zeebrugge.

4.2 Frequency of meetings

In accordance with its rules of internal procedure, the Executive Board is convened by the Chairman and, in principle, meets each week.

5. Statutory auditor

The Annual General Meeting on 8 May 2007 decided to renew the mandate of SCCRL Deloitte, Réviseurs d'entreprises, represented by Mr Jurgen Kesselaers, for a period of three years, i.e. until the 2010 Annual General Meeting. The Annual General Meeting of Fluxys SA on 8 May 2007 also decided to set the annual emoluments for the auditor at a fixed rate of €117,000 (not indexed) for the entire duration of the mandate.

During the past financial year, Deloitte received remunerations amounting to €163,086.92, in respect of its auditor mandate for the Fluxys Group. Additionally Deloitte received a total sum of €47,446 for executing several supplementary assignments, including other auditing work for €27,148 and other assignments outside its auditorial mandate for €20,298.

6. Subsidiaries

The Board of Directors supervises the progress of subsidiaries' activities at least twice a year when it examines the consolidated accounts (annual and half-yearly). The Board of Directors is also informed, as and when appropriate, of major events and important developments affecting subsidiaries.

III. ACTIVITY REPORT

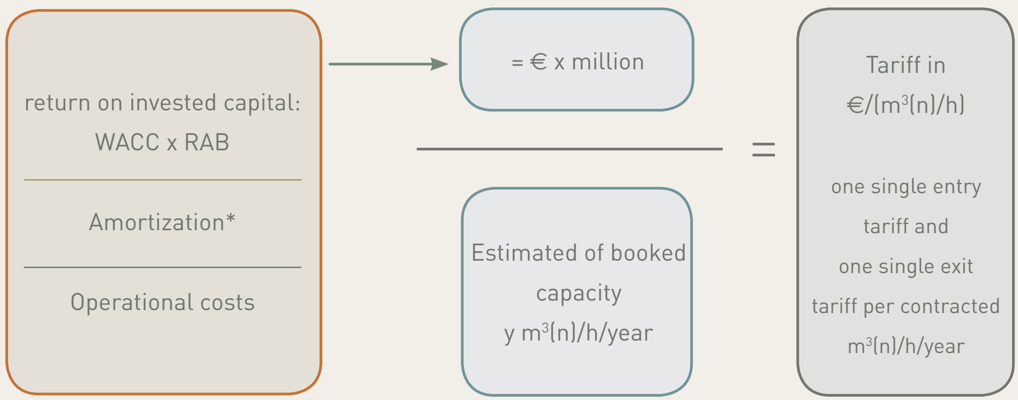
1. Legal and regulatory framework

1.1 Key elements

Gas Act. The second EU Gas Directive was transposed into Belgian law in 2005. To this end, a number of amendments were made to the Gas Act, which has been completed wih several other provisions since. In many respects these amendments further extend the legal and regulatory framework within which Fluxys and Fluxys LNG operate. The current legal and regulatory framework applies to natural gas transport, transit and storage and LNG terminalling.

Regulated tariffs: costs + fair return. The regulated tariffs are based on the estimated costs that are allocated through approved distribution codes to the range of services offered by Fluxys and Fluxys LNG. These estimated costs include operating costs and depreciations on the regulated asset base (RAB) as approved by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (CREG). CREG also checks the development in real expenditure in relation to estimated costs.

Methodology used for regulated tariffs: example of transport tariff



** with the exception of the depreciations calculated for the revalued part of the tangible fixed assets*

In addition to the costs, the tariffs also include a fair margin on the invested capital, calculated in accordance with the Royal Decree of 8 June 2007. This fair margin corresponds to the weighted average cost of capital (WACC), multiplied by the capital that has been invested in the regulated services, also called the regulated asset base.

The regulated tariffs for natural gas transport services for the Belgian market are calculated using the equalisation principle: each grid user pays the same tariff for a subscribed capacity unit, regardless of the transport distance. To this end, the sum of the estimated costs and fair margin on capital invested is divided by the estimated capacity subscribed during the tariff period.

Different tariff systems. For transport, storage and transit, the *standard regime* applies, with four-year tariffs in principle to be introduced in 2008 (see also 'Fluxys/CREG topics in 2008', p. 107). As regards new transit, storage and LNG infrastructure, the Gas Act provides for the application of a *specific regime* of multi-annual tariffs including a fair margin on the regulated asset base taking account of the competitive context.

1.2 Implementing the Gas Act

Appointment of operator. The amended Gas Act implements the provision in the Second European Gas Directive to officially appoint one or more system operators. To be eligible for appointment, operators must meet a number of specific requirements relating to, among other things, corporate governance.

Following implementation of the Gas Act, Fluxys and Fluxys LNG were officially appointed operators under the non-definitive system in March 2006: Fluxys LNG was appointed operator for the LNG terminalling facilities and Fluxys was appointed operator for the natural gas transmission network and operator for the natural gas storage facilities.

A notice was published in the Belgian Official Gazette in February 2007 inviting applicant operators to submit an application to be appointed operator under the definitive system. In May 2007, Fluxys submitted three applications to be appointed under the definitive system as operator of the natural gas transmission network, operator of the natural gas storage facilities and operator of the LNG terminalling facilities. The appointment as operator under the definitive system is valid for a renewable 20-year term. The minister has not yet made a decision in terms of the appointment procedure.

Code of Conduct. The Code of Conduct, which was approved by CREG in 2004, states the conditions for access to the natural gas infrastructure. These conditions are a set of operational and commercial rules that lay down the framework in which Fluxys and Fluxys LNG sign contracts with the users of the transport, storage and LNG infrastructure.

Since 2006, CREG has organised a range of market consultations about changes in the existing Code of Conduct, with a view to also making it applicable to transit and to updating the principles governing transport, storage and LNG terminalling, bearing in mind changes in the services offered. Following consultation with Fluxys, CREG submitted a proposal for a new Code of Conduct to the Energy Minister in September 2008.

Factors for improving productivity and efficiency not yet confirmed. Among other things, the Royal Decree on tariffs of 8 June 2007 provides for the application of a factor for improving the productivity and efficiency of controllable costs. The details of how this will be applied will be the subject of a separate Royal Decree which has not yet been published.

1.3 New Belgian transit regulations

In February 2009, the Senate approved a bill clarifying the Gas Act regarding gas transit activities. The bill comprises two provisions:

- a provision creating a new framework for regulated transit activities:
  - as regards the principles governing transit activities, the law provides for three tariff calculation methods, including the possibility of establishing tariffs in a consultation with CREG through a market consultation,
  - the law also takes into account that transit activities must be developed in a European competitive context and thus justify a fair margin with a higher risk premium than for transport for the Belgian market,
  - the law also states that in new projects grid users must be able to sign firm transit contracts for a longer period than the regulatory period,
- a provision offering an interpretation of the sanctity of contracts principle so as to clarify the scope of the system for protecting historical transit contracts.

1.4 Fluxys/CREG topics in 2008

Ex-post audit of the accounts. During the ex-post audit of the Fluxys accounts for 2007, CREG reviewed its interpretation for the guidelines regarding fair return on invested capital, leading to a neutral impact on the profit for 2008.

CREG tariff decisions. Pursuant to the Gas Act, on 29 June 2007 the Belgian Official Gazette published the Royal Decree setting out the method for calculating the multi-year tariffs 2008-2011 (Royal Decree on tariffs of 8 June 2007). In accordance with the Royal Decree on tariffs, Fluxys submitted its proposals for four-year tariffs (2008-2011) for transport and storage to CREG. In December 2007 CREG decided to reject those proposals and impose provisional tariffs at the level of 2007 tariffs. These provisional tariffs will apply until CREG and Fluxys agree on the tariffs for 2008-2011.

On 15 May and 6 June 2008, CREG made a series of tariff-related decisions pertaining to the transport, transit and storage of natural gas. Fluxys contests the legitimacy and legality of these decisions and therefore took legal action to have them suspended and annulled.

- As regards the **transit** activities, on 10 November 2008 the Brussels Court of Appeal handed down a judgement on the petitions to suspend the relevant decision. Pending a final ruling on the merits of the case, the existing contracts and tariffs mentioned in these contracts continue to apply for transit services. The relevant provisions were booked taking into account the regulatory uncertainty (see 'Legal risks', p. 54).
- Fluxys also disputes the CREG decision on **transport and storage activities**. The Court of Appeal has not yet handed down a judgement on the Fluxys petitions to suspend and annul this decision. Pending the Court's decision, invoices for Fluxys transport and storage services have a provisional nature and are based on the provisional tariffs imposed by CREG on 19 December 2007.

Connection agreement for end users in preparation. The connection agreement formalises the contractual relations between Fluxys and a company which is directly connected to the Fluxys grid. CREG organised a market consultation about the Fluxys proposal. Fluxys and CREG are currently holding discussions with a view to finalising the connection agreement.

1.5 Changes in EU legislation

1.5.1 European Commission's third package of proposed measures

In September 2007, the European Commission drafted a third package of proposed measures to reinforce implementation of the liberalisation of the energy market in Europe.

New directive. In its third Gas Directive, which is currently being examined by the European Parliament, the European Commission proposes – among other things – to demarcate more clearly the production and supply of natural gas from network management. In the current draft, the Member States can choose between three systems:

- ***Ownership unbundling* – no vertically integrated companies any more:** A company is not allowed to exercise simultaneous control over both a grid user and a system operator. In line with the commitments that were made in the framework of the SUEZ/Gaz de France merger, the merged group has ceased to exercise control over Fluxys since July 2008.
- ***Independent System Operator:*** Vertically integrated companies continue to be shareholders in the transmission infrastructure, but operation of the network is entrusted to an independent system operator (ISO) which is completely independent of the vertically integrated company.
- ***Independent Transmission Operator:*** Vertically integrated companies may be the owner and operator of the transmission infrastructure, but under fairly radical conditions of operation. The company itself then becomes an independent transmission operator (ITO). More stringent demands are imposed on an ITO than on an ISO, such as permanent supervision by the regulator, equal treatment of grid users and independence from the vertically integrated company.

Cooperation between regulators. The European Commission also proposes to establish a European Agency for the Cooperation of Energy Regulators (ACER) to promote cooperation between national regulators. ACER would have competences for cross-border issues, such as capacity allocation rules and international market surveys.

Cooperation between system operators. The European Commission also wants to formalise the cooperation between national natural gas transmission system operators by setting up the European Network of Transmission System Operators for Gas (ENTSOG). European transmission infrastructure operators (including Fluxys) have teamed up under the name Gas Transmission Europe+ (GTE+) to take the initiative in helping to prepare the way for the establishment of ENTSOG.

Access to natural gas infrastructure. The Commission wants to impose more detailed requirements in terms of tariffs, transparency and offered services than in the existing regulation from 2005. It also wants to promote cooperation between system operators as regards investments and capacity allocation.

1.5.2 Gas Regional Initiatives

In the spring of 2006, the European Regulators' Group for Electricity and Gas (ERGEG) set up the Gas Regional Initiatives, which aim to stimulate the development of regional natural gas markets as a launch pad for a single European energy market. In the Gas Regional Initiatives network operators, national regulators, grid users and other stakeholders work together. Fluxys contributes to the Gas Regional Initiative North West (GRI North West). Members are Belgium, Denmark, Germany, France, the United Kingdom, the Netherlands, Ireland, Northern Ireland, Sweden and Norway (which has observer member status).

Fluxys and GRTgaz established **cap**square to stimulate liquidity on the capacity market. Through this joint project Fluxys and GRTgaz show their determination to provide both capacity and associated services in order to support development of a European natural gas market in the spirit of the Gas Regional Initiatives.

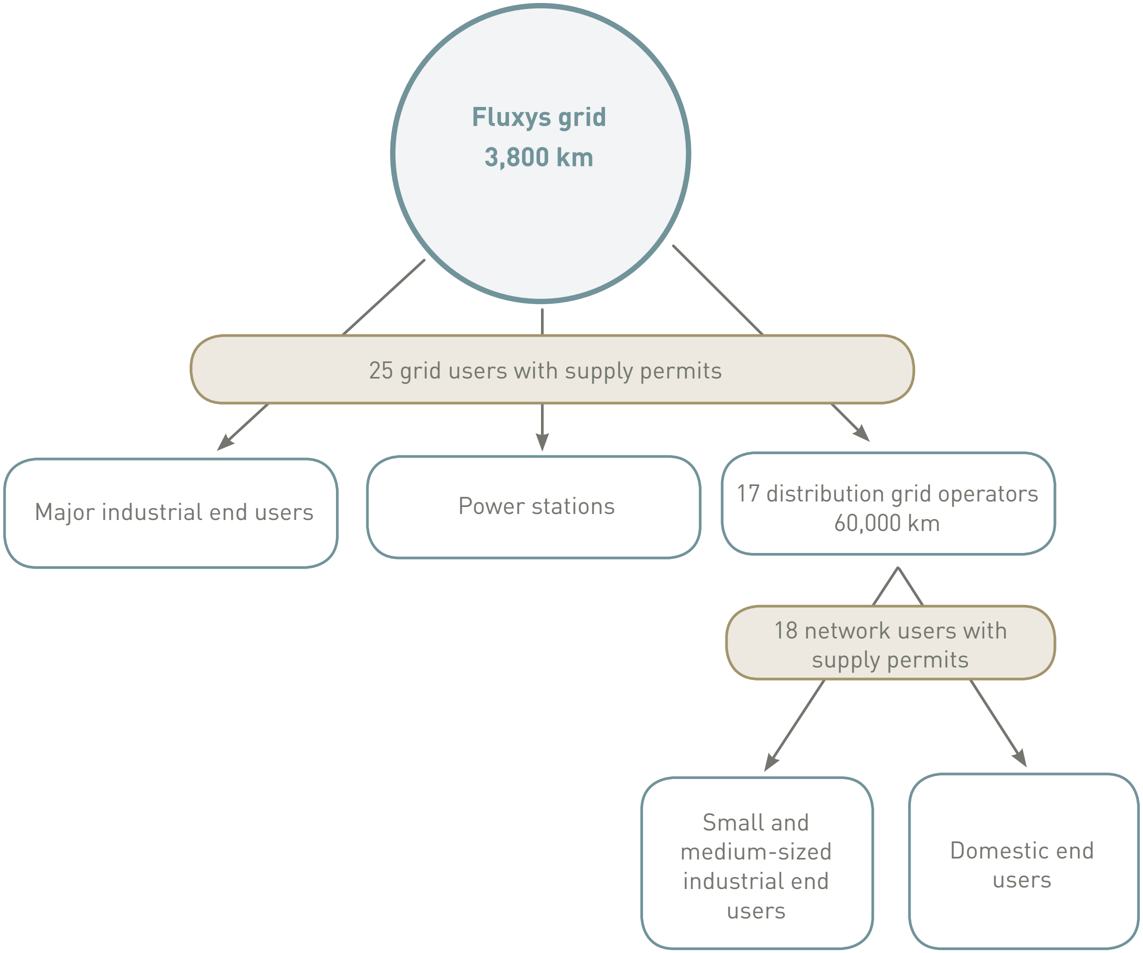
Another focus for GRI North West is transparency. In January 2009, Fluxys took a new step with regard to publication of operational data for the market by publishing data on natural gas flows at the interconnection points on its website. These data are updated on a daily basis. The operational data on the Fluxys website now feature the full range of information that is currently considered relevant for the market in GRI North West.

In 2008 Fluxys built 7 new pressure reducing stations for distribution system operators in Tongeren, Grimbergen, Awans, Neufchâteau, Eghezée, Gent-Terdonk and Kallo.

2. Development of Fluxys' services

2.1 Transport

Fluxys' transport services are services for the transmission of natural gas with a view to supplying customers on Belgian territory. Customers include distribution system operators, large industrial end users and power stations.



Development in number of transport customers. As of 1 January 2009, there were 25 grid users with a supply licence for transport. Of these users, 12 actually subscribed capacity in the Fluxys grid. At the end of 2007, there were six grid users with subscriptions for transport capacity.

New transport services. In 2008, Fluxys launched various services offering grid users the opportunity to optimize and add maximum flexibility to the use of existing capacity.

- *Open transfer of gas without capacity limitations in the entire Zeebrugge area.* In February 2008, Fluxys launched its full ZEE Platform Service, allowing grid users to exchange gas between all the entry points in the Zeebrugge area. There is no limit on capacity and the exchanges can be firm or interruptible, depending on the transfer involved. The relevant entry points are:
  - the Zeebrugge Hub,
  - the Interconnector Zeebrugge terminal, feeding either UK gas into the continent or continental gas into the UK,
  - the Zeepipe terminal, from where Norwegian gas is imported and transited,
  - the LNG Terminal.

  The full ZEE Platform Service marks a further step in developing the Zeebrugge area as a central crossroads for international gas flows in North-Western Europe.
- *Day-Ahead Service.* Since April 2008, the Day Ahead Service enables grid users to freely choose, for both the current and next day, how much natural gas they will feed in at which entry points, according to what suits them best commercially and depending on grid availability. Transport customers also have maximum flexibility through the possibility of feeding in natural gas at entry points for which they initially did not subscribe capacity.
- *Transit/Transport Synergy Service.* As from June 2008, Fluxys has offered its customers the possibility, under certain conditions, to convert transit capacity into transport capacity for natural gas supplies to the Belgian market.

No problem handling the winter peak. From 6 to 8 January 2009, the consumption of natural gas on the Belgian market hit a record high: daily offtake nearly reached 100 million cubic metres, 6.2% higher than the previous peak in 2002. Fluxys' transport infrastructure coped with the peak demand without any difficulty since the transport grid is designed to cope with exceptionally harsh winter conditions that occur on average once every 50 years.

Increase in transport capacity for the Belgian market.

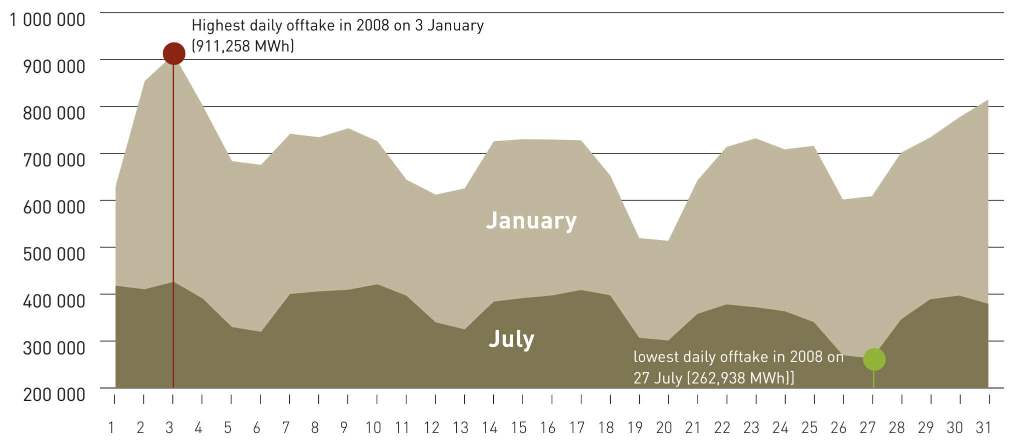
- *New compressor station in Zelzate – investment of some €83 million.* In early December 2008, Fluxys commissioned the Zelzate compressor station. The new facilities significantly boost transport capacity in the Fluxys grid and enable larger volumes to be transported to and from the underground storage facility in Loenhout as well.

  At a later stage Fluxys will also use the facility as a new entry point for additional natural gas flows from the Dutch grid. These additional flows are expected to start at the end of 2010 once investments have been made in the Dutch grid and the planned capacity increase on the east-west axis is commissioned.

  The additional flows from the Netherlands and the increase in capacity on the east-west axis will again shore up supply into the Belgian market. They will also enable greater volumes of natural gas to be traded on the Zeebrugge Hub and will further reinforce the role of the Zeebrugge area as a crossroads for international gas flows in North-Western Europe.

- *New pipelines – investments of some €53 million.* The new pipeline between **Brakel and Haaltert** expanding the transport system was needed to cope with continuous increase of natural gas demand in the Aalst area, both from industry and the distribution system operators. A pipeline was laid from **Messancy to Arlon** to meet the growing demand for transport capacity to Arlon, and a sharp rise in demand for natural gas for domestic consumption in the Lier area led to Fluxys to lay a pipeline between **Zandhoven and Ranst**.

Energy transported daily for supply and consumption in Belgium - comparison between January and July (in MWh)



Developments in the industrial segment. At the end of 2008, there were 255 direct connections between the Fluxys grid and industrial customers, power stations and cogeneration facilities. During the year, eight new connections were added and almost 17% of all industrial end users changed suppliers.

Developments in the distribution system operators segment. In 2008, Fluxys built seven new pressure-reducing stations for distribution system operators in Tongeren, Grimbergen, Awans, Neufchâteau, Eghezée, Ghent-Terdonk and Kallo.

Amendments to the Flemish Decree on natural gas in March 2007 and again in May 2008 impose targets on distribution system operators regarding connectability to their grids. Subject to specific conditions, the aim is for at least 95% of the areas that are earmarked as 'residential areas' in the regional land-use plan or *Gewestelijk Ruimtelijk Uitvoeringsplan* to be connectable to a distribution system by 2015, rising to as much as 99% by 2020. This will entail significant extensions to the distribution grids and, consequently, additional investment in the Fluxys grid.

Possible changeover from low calorific gas to high calorific gas in the long term. The Fluxys grid consists of two separate networks: a network for transmission of low calorific natural gas from the Groningen field in the Netherlands, and a network for the transmission of high calorific natural gas from Norway, Russia, the United Kingdom and LNG sources.

The future supply of low calorific natural gas to Belgium depends among other things on developments in supplier purchase contracts and the remaining period left for operation of the Groningen field in the Netherlands. In this context the Federal Public Service Economy established a task force which will report on the medium term security of supply outlook for low calorific natural gas in Belgium. Fluxys, the distribution system operators, natural gas suppliers and the authorities are taking part in this task force. Based on the medium term analysis, various strategies will be examined, including the gradual changeover from low calorific to high calorific natural gas. This changeover will require a series of investments and actions that will involve not only Fluxys, but also the distribution system operators, suppliers, grid users, regulators and neighbouring countries.

2.2 Transit

Fluxys' transit services are services for the transmission of natural gas from one border point to another without supplying on Belgian territory.

Fluxys now owns all transit capacity in Belgium. In 2008 Fluxys became the owner of all transit capacity in Belgium as a result of two takeovers:

- The takeover of Distrigas & C°, whose activities include the commercialisation of transit capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR1) pipelines. The name Distrigas & C° subsequently was changed into Fluxys & Co.
- The takeover of Gaz de France's 25% stake in SEGEO, owner of the infrastructure for moving natural gas between 's-Gravenvoeren and Blaregnies. Fluxys already had a 75% stake in SEGEO.

WebTrack Metering Transit: gas flow data application for transit customers. This application is free and provides transit customers with hourly data on gas flows at the border gas exchange locations for wich they have subscribed capacity. WebTrack Metering Transit supplies data on for example pressure, volume and energy, boosting transparency for the market players.

capsquare: joint Fluxys/GRTgaz platform for stimulating the exchange of capacity between grid users. In April 2008, Fluxys launched its electronic platform for transit capacity trading on the secondary market. The platform enables real-time trading of Day Ahead capacity and other short-term products. The aim is to foster liquidity on the secondary transit capacity market so as to maximise efficient use of available capacity in the Fluxys gas transmission system.

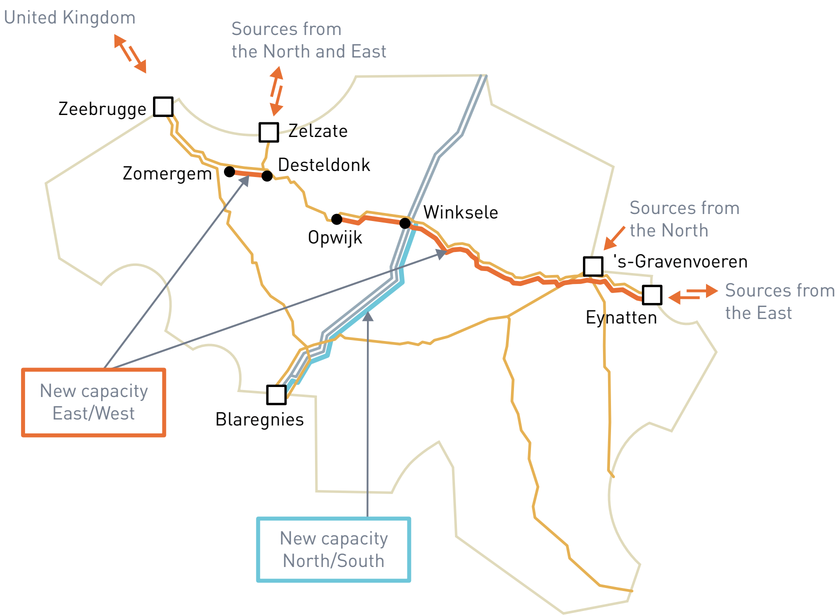
In June 2008, Fluxys and GRTgaz signed a Memorandum of Understanding on developing a shared application based on the Fluxys platform which would allow grid users to trade capacity in both operators' networks. In mid-January 2009, Fluxys and GRTgaz launched the joint platform **cap**square.

New model for transit services under development. Fluxys plans to introduce in late 2009 a new model for offering transit services. The new operating rules will enable transit customers to use their booked capacity as per the entry/exit principle. This approach offers greater flexibility in the use of capacity and, as a result, more opportunities for transit customers to take advantage of commercial opportunities. On 17 October 2008, the market players were invited to a workshop to learn more about the new transit model.

Available transit capacity boosted. Fluxys increased available transit capacity in the Belgian natural gas transmission system by offering interruptible transit capacity as from October 2008. The new service provides transit customers with a tool enabling them to increase flexibility in their portfolios and to better anticipate short-term needs.

Cut-down of flows from the east partly offset via Zeebrugge. Natural gas can flow in both directions on the east-west route in the Fluxys network. This bi-directionality has proven its worth in supplying the European market when in January 2009 flows from the east were cut: grid users employed a substantial amount of capacity in the direction of Germany and France to meet supply obligations vis-à-vis end users throughout Europe.

New east/west transit capacity: permitting phase. In June 2005 Fluxys launched a market survey to assess the level of interest in new east/west transit capacity on the Zeebrugge-Zelzate/Eynatten (RTR1) transmission route. The market survey led to contracts with 16 grid users for additional transit flows in both directions on the route in question. On the basis of this, the Fluxys Board of Directors decided to lay a second pipeline between Eynatten and Opwijk (the RTR2 project) alongside the existing RTR1 pipeline (Zeebrugge Zelzate/Eynatten). This additional pipeline, involving an investment of some €300 million, is expected to be commissioned at the end of 2010.



To meet the demand for capacity, Fluxys is also planning a second pipeline between Desteldonk and Zomergem along the existing route of the RTR1 pipeline. Fluxys is seizing upon the interest in transit through the RTR2 pipeline to enhance entry and supply capacity for the Belgian market as well.

In 2008, Fluxys continued to prepare the files connected with the various permit procedures required to lay the pipeline. In this context, a number of information sessions were also held to inform local residents about the project (see 'Good neighbourship', p. 140). The pipeline will be laid in two stages:

- the Eynatten-Opwijk section in 2009-2010,
- the Desteldonk-Zomergem section in 2012, except the Ghent-Zeehaven section, which is scheduled for 2010.

New north/south capacity: successful market consultation. In December 2008 Fluxys finalised its market consultation (conducted in coordination with adjacent grid operators) regarding new cross-border north/south capacity. In total, 14 grid users concluded long-term contracts for new capacity from Zeebrugge, 's-Gravenvoeren (Belgian-Dutch border) or Eynatten (Belgian-German border) to Blaregnies (French-Belgian border).

Coordinated marketing and development of this new capacity will stimulate the development of the natural gas market in Europe and reinforce the crossroads role in natural gas of Belgium in Europe. Bearing in mind permitting procedures and the scale of investment required, among other things, the new capacity could be commissioned in late 2013.

New capacity for transit to Luxembourg. Fluxys notified the market players that a market consultation will be organised in the spring of 2009 to assess the level of demand for reserving additional long-term capacity for the transit of natural gas to the Grand Duchy of Luxembourg.

2.3 Storage

Fluxys offers storage services from its underground natural gas storage facility in Loenhout and the LNG storage at the peak shaving facility in Zeebrugge. Pursuant to the current legislation, existing storage capacity has to be allocated in priority to grid users supplying distribution system operators. There were five active storage users in 2008.

Storage in Loenhout: continuation of expansion project. In 2007, Fluxys began work on enhancing the underground storage capacity in Loenhout. The objective is to gradually increase workable storage capacity by 15% from 600 to 700 million cubic metres over a period of four years (2008-2011). In addition, flexibility in utilisation of storage, will be boosted by 2010 through increasing send-out and injection capacities. In 2008, the offered workable storage capacity was increased from 600 to 625 million cubic metres of natural gas.

Project discontinued in Poederlee. Fluxys conducted in May 2007 a seismic study to assess the feasibility of a new underground natural gas storage facility at Poederlee. For these explorations, a partnership was set up with Gazprom Export and Gazprom Marketing & Trading Ltd. In February 2008 the project partners jointly decided to discontinue further exploration of the site. The decisive factor for Fluxys was that the project turned out not to meet the economic criteria that were set in advance, with the seismic study showing that the workable storage capacity was too minimal for the site to be profitable.

Research continues in Limburg. In collaboration with the Flemish Institute for Technological Research (VITO) and the Limburg Investment Company (LRM), Fluxys is looking into potential sites for underground gas storage in the Kempen region of Limburg province. A seismic study was carried out in November 2007 in Bree, Maaseik, Kinrooi and Dilsen-Stokkem to map out the deep subsoil. In the second half of 2008 the seismic research by VITO geologists revealed the possibility of structures to be present. In order to confirm the characteristics of the subsoil and to analyse possible storage structures, Fluxys and VITO jointly took the decision in principle to carry out an exploratory drilling. The drilling is planned for 2010.

2008 saw 8 new tie-ins into the Fluxys network for industrial end users: ExxonMobil (Antwerp), Sinterco (Marche-les-Dames), Electrabel (Rodenhuize, Zwijdrecht and Amercoeur), Biowanze (Wanze), Alcobiofuel (Ghent) and Cargill (Ghent).

New model for storage services under development. In April 2009, Fluxys plans to introduce a new model for offering storage services. The new model is to provide more flexibility in the use of capacity and makes it easier for storage facility users to manage their own capacity.

2.4 LNG terminalling

Fluxys LNG provides LNG terminalling services at the Zeebrugge LNG terminal: LNG carriers are loaded and unloaded. The LNG is kept in cycling storage at the terminal before being re-loaded in LNG carriers or regasified and injected into the grid.

12 LNG ships made their first call at Zeebrugge. Between commissioning of the facility in 1987 and the end of 2008, a total of 1,049 LNG ships were unloaded, delivering 58.8 million tonnes of LNG or 74.2 billion cubic metres of natural gas. 2008 saw 37 cargos containing 2.2 million tonnes of LNG (5 billion cubic metres of natural gas) being brought to the Zeebrugge LNG terminal. The vast majority of the LNG ships were loaded in Ras Laffan (Qatar). There were also deliveries from Egypt, Norway and Trinidad & Tobago.

During 2008, 12 LNG ships docked at the LNG terminal for the first time: *Maersk Ras Laffan, Al Daayen, Al Areesh, Maran Gas Asclepius, Maran Gas Coronis, Seri Begawan, Al Kharsaah, Arctic Princess, Methane Shirley Elisabeth, Grace Cosmos, LNGRV Explorer* and *Madrid Spirit.*

Capacity doubled: new facilities commissioned. In April 2008, a fourth storage tank and additional regasification facilities were put into service at the LNG terminal, doubling its throughput capacity from 4.5 to 9 billion cubic metres of natural gas per year and enabling reception of 110 cargos per year instead of 66 previously.

The fourth tank increases the terminal's cycling storage capacity from 240,000 cubic metres to 380,000 cubic metres of LNG, equivalent to about three shiploads. The additional regasification facilities raise the sendout capacity from 950,000 to 1.7 million cubic metres of natural gas per hour, allowing an entire LNG cargo to be regasified and injected into the grid in about two days.

With its throughput capacity doubled, the terminal is expanding its role as an LNG gateway to Western Europe, since natural gas from the facility can either be supplied to the Belgian market of brought to any neighbouring market. The capacity enhancement will also have a positive impact on the Belgian market as it increases security of supply and supports the development of more competition.

Port accessible for larger LNG ships. The terminal has been able to receive larger LNG ships since the summer of 2008. From then on, several so-called Q-Flex ships – which have a capacity of up to 217,000 cubic metres of LNG – have docked in Zeebrugge. Prior to the dredging works carried out by the Bruges Port Authority (MBZ), only ships with a maximum capacity of 155,000 cubic metres of LNG could be allowed to berth at the terminal.

LNG loading services now available as well. Since August 2008, LNG ships can be both unloaded and loaded at the LNG terminal. Fluxys LNG has launched its new LNG loading services in response to demand from terminal users to be able to capitalise more effectively on commercial opportunities on the LNG market. If the price of LNG is sufficiently high somewhere else in the world, then they can ship LNG from Zeebrugge to another end consumer market. These new loading services were used six times in 2008.

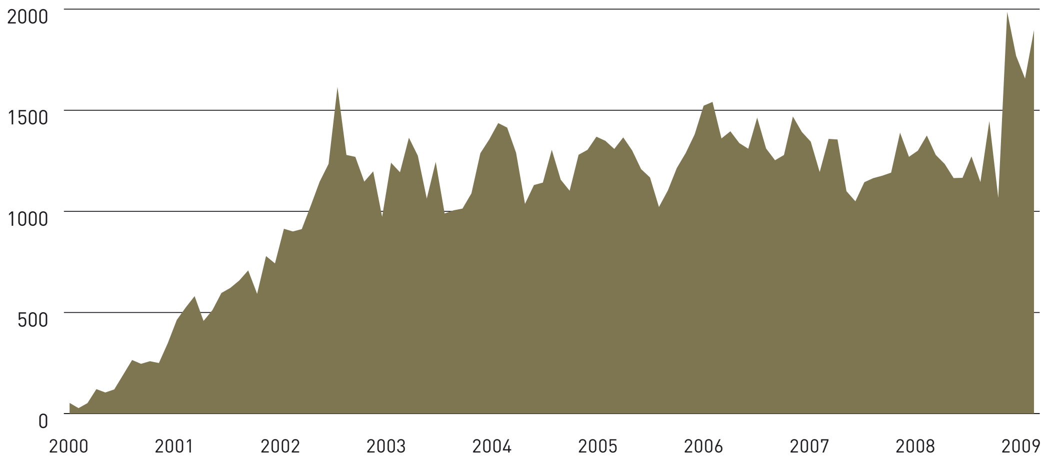
Ongoing market consultation with a view to a second capacity enhancement. Considering the rising importance of LNG for natural gas supplies into Europe, Fluxys LNG launched an international market consultation in December 2007 to assess the level of demand for an additional capacity at the LNG terminal among other things. Several LNG players have expressed a non-binding interest in various types of capacity. There is demand for conventional terminalling capacity, with additional possibilities to unload and load LNG ships. There is also interest in storage capacity as such and solutions to allow the mooring of ships that can regasify LNG on-board and then inject it into the grid.

Fluxys LNG has studied the concrete technical and economic aspects of these expressions of interest and the project proposal for a second capacity enhancement is now being discussed with the interested customers. Once they have signed binding contracts for new capacity, an investment decision can be made. The timing of this decision also depends on Fluxys' consultations with the regulator CREG about the tariffs to be applied for this new capacity. In the meantime, Fluxys LNG is consulting with the port authority, public authorities and the bodies involved in permitting procedures to ensure that work can be completed as soon as possible if the decision is taken to invest in the project.

2.5 Hub services

Fluxys subsidiary Huberator is operator of the Zeebrugge Hub, one of the leading short-term natural gas markets in Europe. Thanks to the services provided by Huberator traders can be sure that the volumes they buy or sell on the Zeebrugge Hub will effectively be available for re-trading or physical redelivery to another location.

Changes in net traded volume 2000-2008 (in GWh/day)



All-time highs. Huberator saw net traded volumes reach all-time high figures on several days in October 2008. Daily net traded volume on Wednesday, 22 October 2008 reached 2,404 GWh (about 207 million cubic metres), breaking the earlier record of 4 January 2006 by 38%. The net traded volume on 22 October corresponds to almost six times the consumption of high calorific natural gas in Belgium on that day.

Fluxys considers the full ZeePlatform Service launched in 2008 as one of the factors triggering liquidity build-up at the Zeebrugge Hub since the beginning of the new gas year on 1 October. The full ZeePlatform Service allows shippers to transfer natural gas without capacity limitations between all four entry points in the Zeebrugge area: the Zeebrugge Hub, the Interconnector Zeebrugge Terminal, the Zeepipe Terminal and the LNG Terminal.

Five new traders at Zeebrugge Hub. Interest in trading natural gas at the Zeebrugge Hub continued to rise in 2008. Huberator signed contracts with five new members, bringing the number of traders to 73 by the end of 2008. Net traded volumes in 2008 rose by 13% compared to volumes in 2007.

2.6 Operational support services

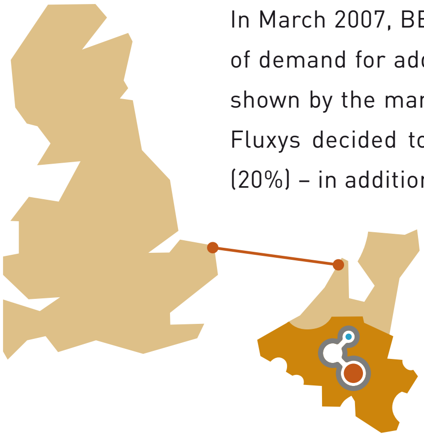
The operational support services provided by Fluxys' subsidiary Gas Management Services Limited (GMSL) enable all players in the natural gas chain from producers, LNG importers, traders and suppliers to large industrial end users to outsource the monitoring of nominations for their natural gas movements and transfers. In 2008, GMSL provided operational services to grid users in Belgium, the Netherlands, France, Germany, Austria, Switzerland, Italy, the United Kingdom, Ireland, Norway and users of the subsea pipelines in the North Sea. The number of customers using GMSL's operational support services increased in 2008.

GMSL also uses its operational knowledge and experience to develop software for shippers active on both the UK market and grids in continental Europe. In 2008 the company developed additional functionalities for ENOM, a communication software package which, among other things, enables grid users to exchange nomination data with operators. GMSL also integrated the new version of the EDIGAS V4 protocol into ENOM to ensure compliance with the most recent EASEE-GAS recommendations. There was a substantial rise in the number of licences for operational software in 2008.

GMSL also acts as Claims Validation Agent for the grid users of National Grid Gas (UK), checking delivery claims at grid entry points in order to validate the data on volumes of natural gas entering the grid.

2.7 Balgzand-Bacton pipeline

After the Interconnector (Zeebrugge-Bacton), the Balgzand-Bacton pipeline (BBL) is the second subsea pipeline between the European continent and the United Kingdom. BBL Company - a joint venture between Gasunie (Netherlands), Fluxys and E.ON Ruhrgas (Germany) - is responsible for building, operating and marketing the pipeline. The pipeline was commissioned on 1 December 2006.



In March 2007, BBL Company launched a market survey to assess the level of demand for additional capacity for the pipeline. Considering the interest shown by the market, a fourth compressor will be built by the end of 2010. Fluxys decided to co-invest – in proportion to its stake in BBL Company (20%) – in additional compressor facilities.

Pipes destined for constructing the Eynatten-opwijk (RTR2) pipeline are brought in by railway. Each pipe weighs around 9 tonnes and is about 18 metres long.

2.8 Indicative investment programme for 2008-2017: €2.8 billion

2.8.1 General approach to investment planning

The Fluxys Group pursues an active investment policy and underpins this policy with an indicative 10-year investment programme. The programme is based on CREG's Indicative Natural Gas Supply Programme 2004-2014 and is regularly updated to bring it in line with new signals from the market. These updates take account of changing needs in terms of security of supply, new requests for connections with industrial customers and additional requirements from grid users identified through market consultations among other things.

When updating its investment programme, Fluxys uses the data showing how demand for transport capacity is expected to develop and the forecasted use of entry zones to carry out simulations on the grid as it currently stands. A number of scenarios are considered: a scenario primarily showing east-west flows, a scenario primarily showing west-east flows, and a number of other sub-scenarios.

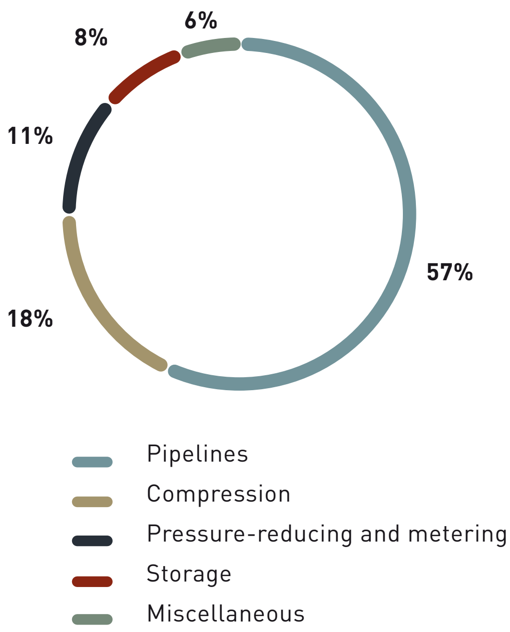
For each scenario Fluxys examines what investments are needed so as to ensure that natural gas can be supplied at the guaranteed minimum pressure at all supply or border points and adequate resources remain available to maintain grid balance. Fluxys also attaches great importance to working closely with operators of neighbouring grids since the success of certain projects on Fluxys' own grid requires consultation and agreement on the nature and timing of investment needed on neighbouring grids.

Fluxys uses this approach in a bid to respond as effectively as possible to market needs and also take into consideration the period required to complete a project. It takes approximately five to six years to implement infrastructure projects of some scale because establishing pipeline routes in a densely populated country like Belgium is becoming ever more complex and a range of permitting procedures and laws need to be taken into consideration.

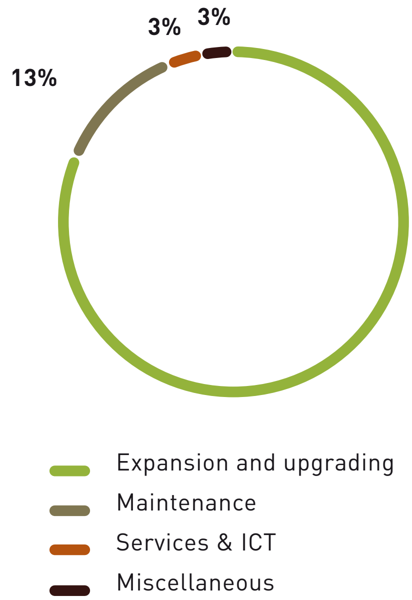
2.8.2 Key elements in the indicative investment programme for 2008-2017

The indicative investment programme for 2008-2017 includes infrastructure projects in transport, transit, storage as well as LNG terminalling and requires spending of €2.8 billion. Taken together, these investments represent an increase of €1.1 billion compared with the investment programme for 2007-2016. This rise is mainly due to new projects covering both transit and transport being added to the programme such as the new north/south Winksele-Blaregnies axis, the enhancement of the east/west axis to Zomergem and the additional compressor facilities in Winksele. The recalculation of the cost price as the result of inflation of prices for materials and implementation also pushed up the investment programme budget. The potential second capacity enhancement of the LNG terminal in Zeebrugge is not yet included in the indicative investment programme.

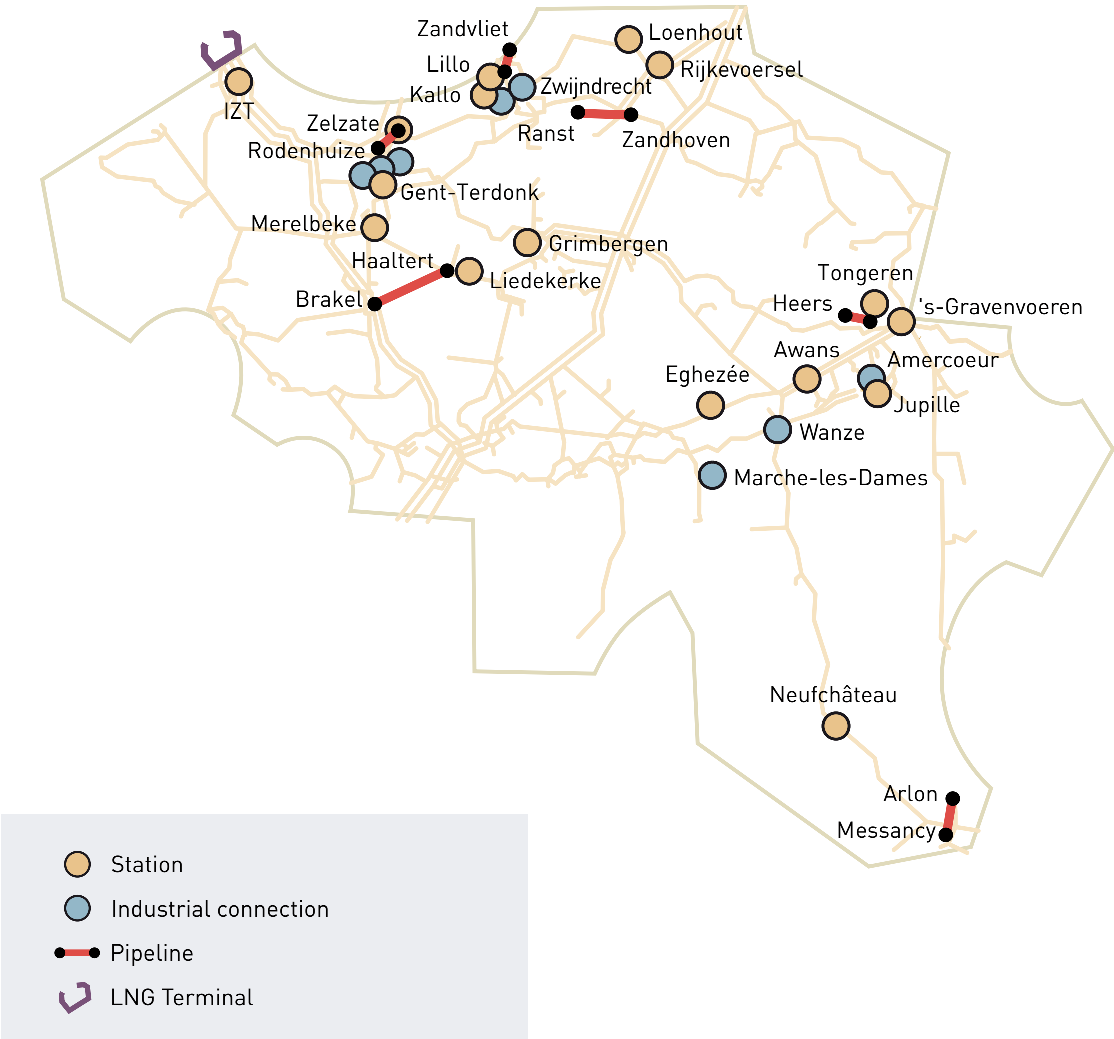
Breakdown by type of facility



Breakdown by type of investment



2.8.3 2008: €198 million investments in infrastructure



LNG terminal

Completion of a fourth storage tank and additional regasification facilities with a view to doubling throughput capacity to 9 billion cubic metres per year (see LNG terminalling, p. 121)

Pipelines

- Construction of the Zandhoven–Ranst pipeline (10 km) to enhance supply capacity to the Lier area.
- Construction of the Brakel–Haaltert pipeline (26 km) to enhance supply capacity to the Aalst area.
- Construction of the Arlon–Messancy pipeline (6.5 km) to enhance supply capacity to the Arlon area.
- Construction of the Heers–Tongeren pipeline (3 km) to enhance supply capacity to the Tongeren area.
- Construction of the Zelzate–Rodenhuize pipeline (8.5 km) to enable three industrial consumers to be connected to the grid: Electrabel (Rodenhuize 1 power station), Bioro-Cargill and Alcobiofuel. Construction started in 2007 and was completed in 2008.
- Construction of the Lillo–Zandvliet pipeline (11 km) in a trench for pipelines and cables together with other pipeline and cable operators.

Stations

- Completion of the construction of the compressor station in Zelzate (see Transport, p. 112).
- Works in the storage facility in Loenhout to increase the underground storage capacity, injection capacity and send-out capacity (see Storage, p. 120).
- Construction of new pressure-reducing stations for distribution system operators: Tongeren, Grimbergen, Awans, Neufchâteau, Eghezée, Ghent-Terdonk and Kallo.
- Major changes to or expansions of existing pressure-reducing stations for distribution system operators: Merelbeke, Liedekerke, Jupille and Rijkevorsel.
- Major changes to existing metering stations: Interconnector Zeebrugge Terminal and 's-Gravenvoeren.
- Major changes to the Lillo blending station.

Industrial connections

Work on new connections to the Fluxys grid for industrial end users: Exxon Mobil (Antwerp), Sinterco (Marche-les-Dames), Electrabel (Rodenhuize, Zwijndrecht and Amercoeur), Biowanze (Wanze), Alcobiofuel (Ghent) and Cargill (Ghent).

3. Sustainable development

3.1 Operating safely

3.1.1 Active policy to prevent damage by third parties

Legal notification requirement. Anyone wishing to carry out work in the immediate vicinity of Fluxys natural gas transmission infrastructure is required by law to notify Fluxys as from the planning phase (Royal Decree of 21 September 1988). At the start of the works, an inspector from the company's regional operating sector comes to the site free of charge to look through the maps of the pipeline, the safety instructions and the implementation methods.

3.1.1.1 Awareness-raising campaigns

Serious pipeline incidents arise mainly from damage caused by third parties. That is why Fluxys has for years now been carrying out awareness-raising campaigns on how to work safely in the vicinity of its infrastructure. The campaigns are targeted at everyone involved in such work: developers, designers and anyone working independently or on behalf of a developer. Special attention is drawn to the legal requirement to find out from Fluxys whether any natural gas transmission infrastructure is present in the vicinity of areas where works are planned. With its team of dedicated staff and a high-quality document management system, Fluxys processes 65,000 to 70,000 notifications each year.

Initiatives for municipalities

Individual information meetings for municipalities. In April 2008 Fluxys resumed its programme of holding an individual meeting with the authorities - at some stage during their term of office – of each of the 391 municipalities having a Fluxys pipeline sited either in the municipality itself or in its immediate vicinity. Fluxys invites not only the mayor and aldermen to these meetings, but also technical and town planning department officers, the fire brigade and the police.

When laying a pipeline, Fluxys consults with archeologists to preserve any treasures that might be discovered in the ground. For instance, a fragment of an earthenware Roman vessel – probably dating from the third century AD – was found on the site of the Brakel-Haaltert pipeline. The fragment was found in a hole containing a wealth of pottery, glassware and ironware.

Pipeline maps sent to municipalities. Every five years Fluxys sends a mailshot to each municipality with a full overview of the pipelines in their territory. If new pipelines come into service or existing pipelines are moved during that five-year period, the municipalities concerned are automatically sent a copy of the updated maps.

Initiatives for the construction sector

Preparatory meetings with contractors. Every day Fluxys staff have preparatory meetings to explain essential safety measures to take when carrying out construction work near Fluxys' transmission infrastructure.

Information for safety coordinators. In 2007, Fluxys teamed up with LUCINA at the Catholic University of Leuven, which since 2008 has provided specially adapted training programmes including an additional part about works in the vicinity of transmission pipelines. The Belgian

Health and Safety Coordinators Institute (BIB.Co) and the contact organisation for safety coordinators in the construction sector (VC-CS) will include this information on their websites and in their e-zines in 2009.

Information meetings with other system operators. Fluxys also held information meetings with other system operators, such as Belgacom, Telenet, Infrabel, Eandis and Infrax, who often perform work underground and consequently come into regular contact with Fluxys. These meetings discussed the safety aspects associated with works near Fluxys infrastructure. In the cases of Belgacom and Telenet, Fluxys took part in the annual information meeting for their recognised contractors to provide information about safety during activities in the vicinity of gas transmission facilities.

Initiatives for notaries

In 2008, Fluxys launched a communication campaign targeted specifically at notaries about easements involving natural gas transmission pipelines. A mailshot was also sent out with details about using the federal cable and pipeline information database CICC/KLIM. In this database notaries can use the land register number or the street name for a specific plot of land to seek information about the presence of gas transmission infrastructure.

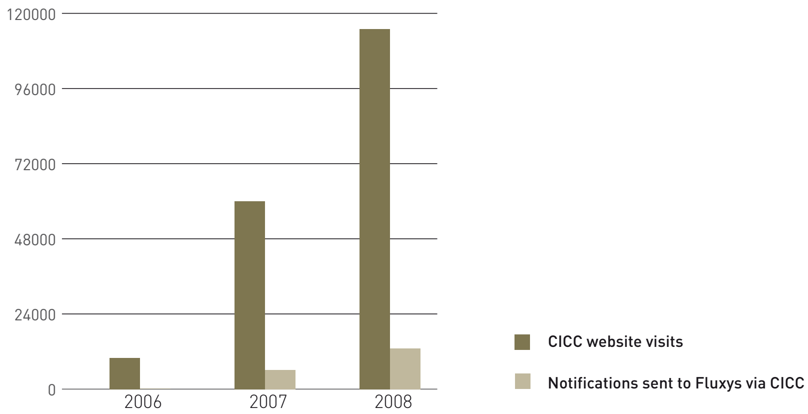
Information for owners and farmers

Fluxys has an ongoing programme whereby around 60,000 landowners and farmers over a period of five years are contacted in writing to remind them that a Fluxys underground pipeline runs underneath their land. To this end, Fluxys launched an eye-catching mailshot in 2007.

3.1.1.2 Notification of works made quick and simple thanks to CICC/KLIM

The federal cable and pipeline information database CICC/KLIM was launched in 2006. On the CICC/KLIM website anyone can notify the owners of high-voltage cables and pipeline facilities for transporting gaseous and other products about work to be carried out anywhere in Belgium. In this way, CICC/KLIM makes it simpler to meet the legal requirement to provide notification of impending works.

Increase use of CICC



Traffic on the CICC/KLIM website increased significantly in 2008 compared with 2007 and 2006. Notifications for Fluxys in 2008 account for 13,000 of the 115,000 visits to the site, meaning that Fluxys received 24% of all the notifications via the CICC/KLIM portal in 2008, compared with 8.5% in 2007 and less than 1% in 2006.

Land register data in the CICC/KLIM database. In cooperation with the General Administration for Real Estate Registry, in 2008 the option to perform a search on the basis of land register data was added to the possibility of performing a search on the basis of street maps in CICC/KLIM. This change has made the database even more user-friendly for notaries and architects, among others.

Link-up with KLIP. Alongside the federal CICC/KLIM system is the cable and pipeline information portal KLIP, the Flemish initiative for providing notification of works in the Flemish Region to all cable and pipeline operators. To ensure that notification of planned works does not require using the CICC/KLIM and the KLIP portals separately, a module has been developed to exchange data between the two systems. The modalities for these exchanges are provided for by a Memorandum of Understanding (dated 20 April 2007) between Federal Minister for Energy Marc Verwilghen and Flemish Minister for Public Works, Energy and the Environment Kris Peeters.

The module for data exchanges between CICC/KLIM and KLIP has been successfully tested and will be rolled out during the first half of 2009. From then on, any notifications entered in KLIP will be automatically passed to KLIM and any notifications entered in KLIM on works in the Flemish Region will be automatically communicated to KLIP. CICC/KLIM plans to propose similar solutions to the one provided in Flanders when the Walloon web portal (e-impétrants) and its Brussels counterpart (Iriscom) become operational.

3.1.1.3 Visibility of pipelines

In 2008, Fluxys completed its programme to improve the visibility of underground pipelines by optimising markings along pipeline routes.

3.1.2 Cooperation with fire brigades and the police

Pipeline maps. Every five years, fire brigades and local police forces receive a mailshot containing location maps which give a comprehensive overview of the Fluxys pipelines in their area. If new pipelines come into service or existing pipelines are moved significantly during that five-year period, the relevant fire brigades and police forces are automatically sent a copy of the updated maps.

Emergency and intervention plans. In cooperation with the Crisis Centre and Civil Safety Directorates General within the Federal Public Service Interior, fire brigades were given access via an on-line web application to the digital pipeline database of Fetrapi, the federation of Belgian transmission pipeline companies.

In addition, a guide was provided detailing measures to be taken in the event of an emergency involving pipelines for the transmission of gas and liquids, so enabling municipalities and provinces to include transmission pipelines in their emergency and intervention plans. As a member of Fetrapi, Fluxys took part in an information meeting for the Belgian provinces in June 2008 where, among other things, this guide was presented. In the meantime, the provincial general emergency and intervention plans have been updated and approved and include a section covering transmission pipelines.

Information sessions. When organising information sessions for municipalities (see Active policy to prevent damage by third parties, p. 132), Fluxys always asks that fire-brigade and police representatives be invited. In addition, Fluxys always responds to requests from fire brigades or the police for individual information meetings.

3.1.3 Quality management system

Pursuant to the legislation covering Seveso companies, Fluxys applies a Quality & Safety Management System (QSMS). Fluxys has three Seveso facilities, namely the LNG Terminal and the peak shaving facility in Zeebrugge and the underground natural gas storage facility in Loenhout. The QSMS is a quality management system based on the 'Plan-Do-Check-Adjust' (PDCA) methodology aimed at continuous improvement.

The QSMS is based on a good knowledge of processes and procedures. In 2008, Fluxys and Fluxys LNG staff took a total of around 8,650 hours of safety courses, including about 900 hours of training about QSMS processes and procedures.

The authorities responsible for the safety of Seveso facilities carry out an audit each year to monitor the QSMS. During these audits, the QSMS is assessed using specific technical instruments and improvement actions are followed up on.

In 2008, the integration of the Safety Checklist Contractors (SCC) with the QSMS was reinforced in light of SCC recertification (see Well-being at work, p. 139).

3.2 Looking after our human capital

3.2.1 Staff development

Recruitment efforts stepped up. In 2008, Fluxys and Fluxys LNG hired 92 members of staff – a net increase on 2007 of 51 staff members, bringing the total number of employees to 974 at the end of 2008. This was a sharper increase than the previous year due to Fluxys' explicit desire to keep and retain technical knowledge and know-how within the company. Fluxys will continue to look for new talent in 2009 as well.

With a view to meeting its objectives in terms of hiring personnel, Fluxys stepped up its recruitment efforts through campus recruitment events (universities/university colleges), job events (including one that Fluxys organised at its LNG terminal in Zeebrugge) and an established presence in the national and regional press and on job sites. In 2008, 11 final-year students from a range of study programmes did their work placement at Fluxys. Fluxys plans to further broaden this approach in the future.

Personal induction programme for new staff. Fluxys draws up a personal induction programme for all new staff. Throughout their trial period, they are provided with support to help them familiarise themselves with their new work environment. This includes training courses on Fluxys procedures and working methods, visits to the various company sites and sessions to explain the company's activities. Executives are very much involved in the induction programme and have the task of smoothly integrating new staff into their team.

Special attention to career development. Fluxys encourages job mobility as part of its employees' career development. This not only means promotions, but also moves to jobs of the same level in another team. If there are vacancies, members of staff are given the chance to apply first and if there are structural changes in the organisation, an analysis is made of existing skills to establish how members of staff can be employed to the best advantage. In 2008, 6% of staff made use of the opportunity to take up a new position within the company. The company has the challenge of integrating these colleagues as well as the 92 new members of staff into their new positions in the company.

Number of training hours. In 2008, staff working at Fluxys and Fluxys LNG took 38,800 hours of training, compared with 39,000 in 2007 and 35,000 in 2006. Slightly more than 93% of Fluxys employees and 94% of Fluxys LNG staff did a course. Job-specific, technical, quality and safety training courses in 2008 accounted for just over 75% of all training.

3.2.2 Well-being at work

Comprehensive prevention plan. The comprehensive prevention plan aims to promote actions to boost the prevention of accidents at work and follows the Plan-Do-Check-Adjust methodology. The comprehensive prevention plan for 2006-2010 involves 25 cross-cutting projects. The projects were evaluated in 2008 and fine-tuned where necessary, based on the needs of the company.

Actions taken to raise awareness on safety culture. Fluxys strives to make industrial accident prevention as concrete and practical as possible through, for example, its staff magazine. Particular attention is paid to safe conduct in what at first sight appear to be low-risk environments, such as the office.

SCC recertification proves a success. Fluxys' Project Management, Supervision & Interventions and Cathodic Protection Departments operate on work sites and have a Safety Checklist Contractors (SCC) certification, version 2004/04. An interim audit of this system is carried out each year and a full recertification audit is performed every three years. At the end of 2008, a full recertification audit of the SCC was carried out. This was a success.

Safety coordination on temporary and mobile work sites. Fluxys puts in place a health and safety plan right from the start of its infrastructure projects. The company also tries to communicate as much as possible with contractors both prior to and during the works. Safety coordination within the company is also organised in such a way that the required safety measures are standardised in both the design and implementation phases and only need to be adjusted to take account of the specific nature and environment of each individual project.

Fluxys needs a working area ranging from 15 to 50 metres depending on the diameter of the pipeline. Within the working area any obstacles, plant life or crops are removed from the site.

Fluxys works with external safety coordinators for larger projects. Project leaders and study engineers who have taken training courses as level B safety coordinators are responsible for smaller scale projects.

3.3 Good neighbourship

3.3.1 Infrastructure projects: transparent communication policy

From the planning phases for new infrastructure projects, Fluxys strives to inform the municipal authorities, local residents and other stakeholders in a transparent way about the work the company intends to carry out. We focus in particular on the company's approach to safety and on the fact that our pipelines and installations are infrastructure of public interest.

Initiatives for municipalities

Information sessions about new pipeline projects. Since 2008, Fluxys has offered municipalities the possibility of co-organising with them an information meeting for local residents during the permitting procedures for new pipelines. Over 30 information sessions of this type were held in

2008 in relation to the Declaration of Public Utility for the new Eynatten-Opwijk and Lommel-Ham-Tessenderlo pipelines.

Site and station visits. In the case of major pipeline construction projects, Fluxys invites the relevant municipal authorities for a visit to the site. There they are given more details about site organisation and scheduling. There were four site visits in 2008. The municipal authorities are also invited to visit the site after major new stations are built or fundamental changes are made. One such visit took place in 2008, when a visit was organised at the new compressor station in Zelzate.

Initiatives for local residents

Targeted communication about every project. Since 2007, at the design phase of every new pipeline project Fluxys has sent an eye-catching mailshot providing information to local residents about the project: why the pipeline is needed, how the route was determined, who their Fluxys contact person is and the process involved in laying a pipeline. Communication with local residents is a particular focus in other projects as well.

Visits to facilities. When a new station is built or major changes are made to an existing station, Fluxys invites local residents to visit the facilities. For example, in 2008 residents visited the Interconnector Zeebrugge Terminal compressor and metering station, the Berneau compressor station and the Merelbeke pressure-reducing station.

Cooperation with agricultural organisations

As the vast majority of Fluxys' pipelines are laid under farmland, it is key for Fluxys and the farming community to maintain good neighbourly relations.

New protocol agreement. While a pipeline is being laid, farmers are temporarily unable to use parts of their fields and meadows. Fluxys pays them compensation for this and during the works also makes special arrangements to ensure throughways and water supply for cattle among other things. In 2008, the Boerenbond (Farmers' Federation), the Algemeen Boerensyndicaat (General Farmers' Union) and the Fédération Wallonne de l'Agriculture (Walloon Agriculture Federation) held discussions with Fluxys so as to lay down the relevant arrangements in a new protocol agreement.

This new protocol agreement builds on existing cooperation with the farming community while placing additional emphasis on particular aspects. For instance, due to changing market prices, new rates have been agreed to ensure that farmers receive fair compensation for loss of income and any other temporary damage caused when laying a pipeline. In a spirit of good neighbourly relations additional guarantees have also been incorporated with a view to compensating any other damage and to restoring land into its original state in accordance with best practices.

3.3.2 Dedicated Fluxys contacts for owners and operators of land who have a pipeline passing through

From the initial planning of a pipeline route to the site restoration after a pipeline has been laid, owners and operators of land who have a pipeline passing through have their own contact person at Fluxys. In this way they can consult someone who has a thorough knowledge of their concerns and the features of their land. The Fluxys contact persons are part of a team of independent negotiators with a specific mission from the company: to ensure good relations by defending owners' and operators' interests within Fluxys. They are also the people whom owners and operators should contact after the works if for example pipeline operation works are carried out on private land.

3.4 Environment

3.4.1 Key elements in the environmental policy

Systematically further restricting the minimum environmental impact. Traditional modes of transport are no match for underground pipeline transport when it comes to use of space, safety, energy efficiency and environmental impact. In designing, laying, operating and dismantling infrastructure, Fluxys' environmental policy is designed to further systematically limit the already minimal environmental impact. This preventive approach is based, among other things, on Fluxys research and seeks to strike an optimal balance between respect for the intrinsic value of the environment and the imperatives of economic development.

Environmental quality assurance system. Fluxys carries out regular environmental assessments of all its stations to ensure compliance with environmental permits and environmental standards such as emission limit values. The environmental assessments are repeated every five years for the three Seveso sites (the LNG terminal and peak shaving facility in Zeebrugge, and the underground natural gas storage facility in Loenhout) and for the compressor stations. For the other stations, a new environmental assessment is carried out whenever environmental permits are renewed.

Under the quality assurance system, for example all new legislation is checked so that changes can be made if necessary to Fluxys procedures and guidelines. In 2008, 129 new laws related to the environment. Checking these showed that 46 of them had an impact on Fluxys and appropriate action was taken. Using this quality assurance system, Fluxys aims to minimise the environmental impact of its stations.

Environmental action programme. The results of the environmental assessments serve as the basis for the environmental action programme, which focuses on, among other things, measures to limit noise emissions at pressure-reducing stations (p. 148) and measures to improve energy efficiency (p. 147).

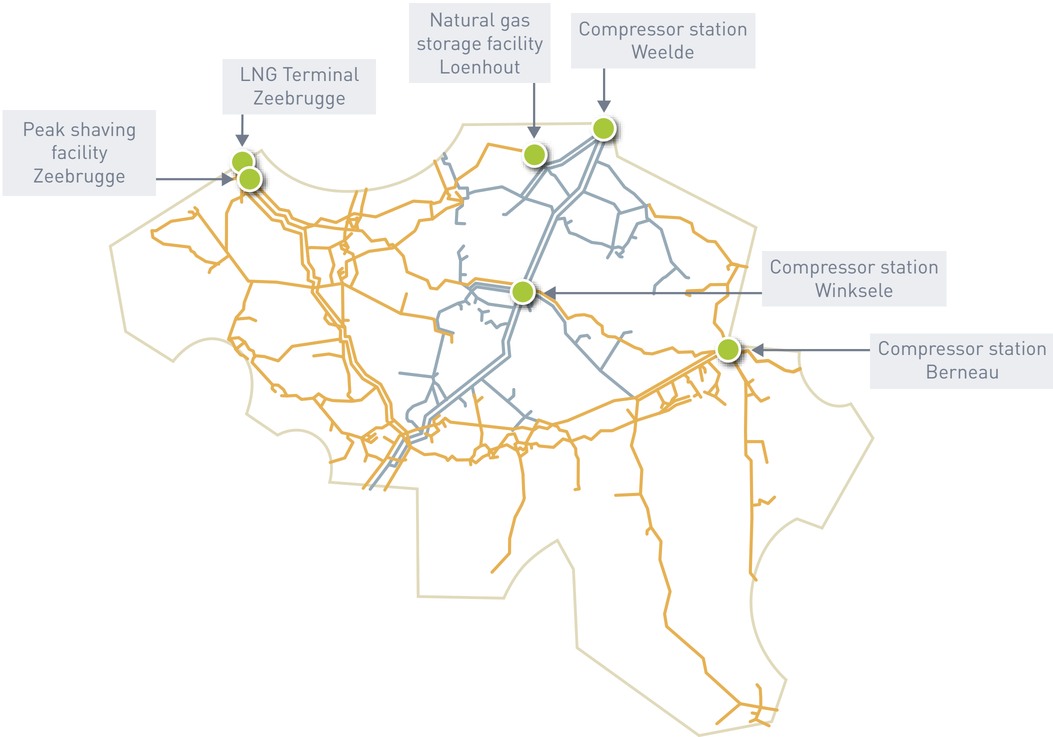
The action programme was originally supposed to last until 2014, but Fluxys is planning to finalise environmental actions by the end of 2010. Subsequent actions will be taken as and when necessary on the basis of periodic environmental assessments.

Green energy. When renewing power contracts, Fluxys systematically opts for green energy, and the vast majority of the sites now run completely on green power.

Sorting and reducing waste. In its office activities, Fluxys pays special attention to sorting and reducing waste. A Paper Reduction Action Plan was launched in 2008 with a view to cutting paper consumption by 10% to 15% by the end of 2009.

3.4.2 Kyoto sites

Six Kyoto sites for Fluxys. In line with the Kyoto Protocol, the European Union set the maximum permitted production of greenhouse gases for the period 2008-2012 at 92% of emissions in 1990.



The European Commission issued an Emissions Trading Directive in order to comply with these commitments. The directive took effect on 1 January 2005. In Belgium, tradable emission rights are distributed across the three regions. Within each region, they are then allocated to each industrial site that emits a certain quantity of greenhouse gases. Fluxys has 6 such Kyoto sites.

Fluxys approach fully compliant with EU directive

- In accordance with the EU directive, Fluxys holds emission rights for each of its Kyoto sites.
- As per the directive, Fluxys applies monitoring protocols to its Kyoto sites. Monitoring protocols are sets of procedures enabling to monitor daily emissions of CO_2 and to report them by type of consumption. This means that immediate action can be taken if emissions exceed the authorised level. Every year all of the procedures are subjected to an internal audit. The internal audits did not identify any non-conformities in 2008.
- Fluxys also prepares an annual emissions report for each Kyoto site in line with the directive. These reports are then subject to an external audit. The conclusions of the external audit were also positive.

3.4.3 Focus on energy efficiency

3.4.3.1 Commitment to joining the global energy efficiency elite

Global benchmarking. On its own initiative, Fluxys joined the Flanders Benchmarking Covenant on energy efficiency (Benchmarking Convenant Vlaanderen), whereby the company made a commitment to make the necessary investments in its Kyoto facilities in order to join and remain in the global energy efficiency elite for facilities that consume natural gas, electricity and gas oil. Fluxys applies a uniform approach across the three Belgian Regions and hence also includes the Berneau compressor station in the benchmarking exercise. The benchmarking involves comparing the energy performance of the sites in question every four years to comparable facilities around the world. Proposals are then drawn up on improving energy efficiency.

The first benchmarking exercise carried out in 2006 revealed that the LNG Terminal and the Winksele compressor stations exceeded or equalled the target values, while the other Kyoto sites were very close to the target values.

In its implementation of the Covenant, Fluxys drafted several energy management plans listing all of the changes needed for the energy efficiency of the Kyoto facilities to reach the global elite level of 2006 and maintain that position in 2012 when even more stringent benchmarks will be applied.

In 2008, the final changes were made to bring Fluxys fully in line with the first benchmarking exercise dating from 2006. For the second exercise of this kind in 2012, Fluxys plans to spend about €75 million on changes and investments in replacements.

3.4.3.2 Robust approach to Rational Use of Energy (RUE)

New infrastructure projects: energy study. Fluxys carries out a thorough energy study into any project for new natural gas transmission infrastructure that will consume a significant amount of energy. This study is used to find the most effective solution for improving the project's energy efficiency.

Buildings: energy-saving measures. The Energy Performance and Indoor Climate Decrees of the Flemish, Walloon and Brussels Capital Regions encourage the use of renewable energy sources and, among other measures, impose insulation criteria for new buildings and renovations. In accordance with these obligations, Fluxys is examining the possibility of implementing energy-saving measures in its new construction projects. This involves using solar water heaters or heat pumps to produce hot water, photovoltaic solar panels to generate electricity, ventilation systems with heat recovery and low-energy lighting.

The main Fluxys projects involving new buildings are the administrative building of the new compressor station in Zelzate, the new building in the natural gas storage facility in Loenhout and the Weelde compressor station. In 2008, Zelzate became the first station to fit solar panels, and solar collectors are installed at the Loenhout site for the production of hot water.

Fluxys' goal is to proactively adopt the same approach for all buildings – new and old – in all the Regions, hence a comprehensive energy scan of the registered office in Brussels was carried out in 2008. The scan shows that the building has a fairly high level of energy efficiency and an action plan is being drawn up to further improve performance.

LNG terminal: open rack vaporisers. In connection with the environmental permit for the first capacity enhancement of the Zeebrugge LNG terminal, Fluxys has in recent years looked into the feasibility of adding open rack vaporisers (ORVs) to the new regasification facilities. ORVs heat LNG using heat from seawater and their use would lead to a significant reduction in energy consumption and therefore also in carbon dioxide and nitrogen oxide emissions.

After an initial study demonstrated that open rack vaporisers are indeed profitable, Fluxys has decided to build ORVs and consultations have been initiated with the relevant federal and regional authorities.

3.4.4 Breakdown of results for the different indicators

3.4.4.1 Noise

In recent years, Fluxys has carried out studies and pilot projects on silencing technology. This technology is fitted as standard in new stations and is gradually being implemented in existing stations. In the Berneau compressor station, new silencers were fitted in three turbine flues in 2008, with acoustic insulation also being provided for discharge pipes. This caused a sharp decrease of 15 dB(A) in noise emissions.

In Tongeren, the Agency for Nature and Forests (Agentschap voor Natuur en Bos) discovered a burrow dug by a European hamster, a protected species, right where Fluxys was supposed to build a new pressure-reducing station. Building work did not begin until after a new home was found for the hamster.

3.4.4.2 Air

Fluxys mainly uses natural gas to operate its transport infrastructure. The combustion of natural gas produces nitrogen oxides (NO_x) and carbon dioxide (CO_2). Pressure-reducing stations can also produce a small amount of methane (CH_4). Methane may also be emitted during work on pipelines or when compressor stations are started or stopped.

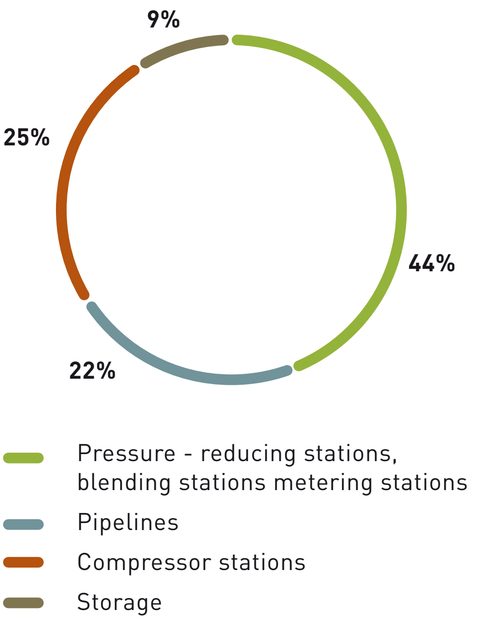
Fluxys systematically measures emissions at all of its combustion facilities. These systematic measurements enable Fluxys to fine-tune its facilities so as to increase their energy efficiency and keep levels of harmful emissions to a minimum.

Greenhouse gases: methane (CH_4) and carbon dioxide (CO_2). In 2008, there was a slight decrease compared with 2007 in the absolute Global Warming Potential value (indicating greenhouse gas emissions) resulting from operating the Fluxys infrastructure. The Global Warming Potential has fallen by over 18% since 1990, meaning that Fluxys is outperforming the target of a 7.5% reduction in greenhouse gas emissions in Belgium that was set by the Kyoto Protocol.

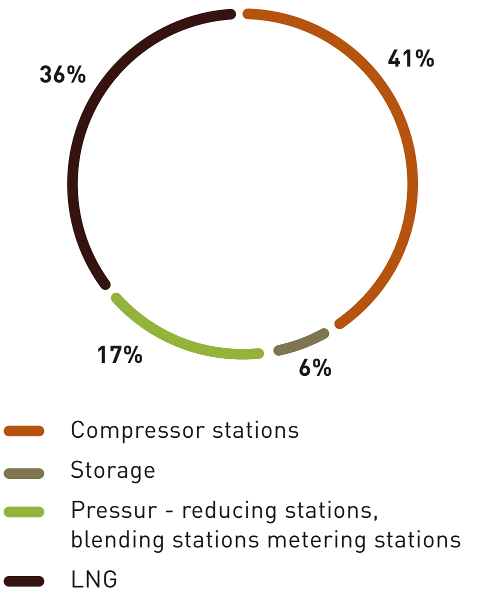
Methane(CH_4). CH_4 emissions per quantity of transported natural gas decreased by 21% compared with 2007. Taking a longer term view, CH_4 emissions per quantity of natural gas transported are remaining fairly stable at a very low level.

Carbon dioxide (CO_2). CO_2 per quantity of transported natural gas increased by 6% compared with 2007 – a fluctuation mainly due to the number of gas movements in the grid. For example, when machines have to be activated more frequently and for shorter periods of operation, emissions of CO_2 per volume of transported natural gas are higher.

CH_4 emissions in 2008



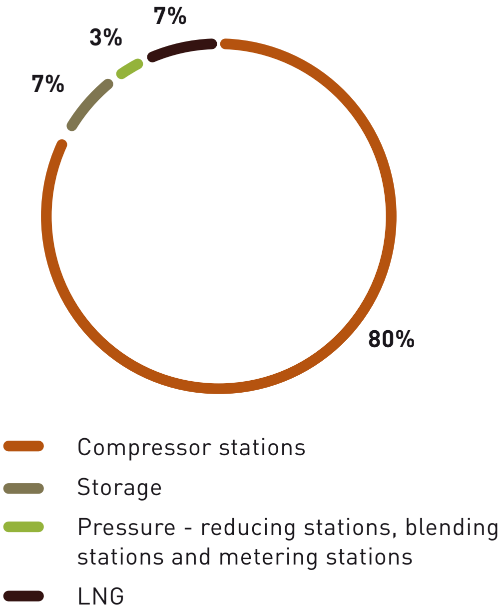
CO_2 emissions in 2008



Nitrogen oxides (NO_x). NO_x emissions per quantity of transported natural gas rose by 12% compared with 2007. However, the NO_x emissions of the LNG terminal decreased sharply. The new vaporizers commissioned at the facility in 2008 have special features which significantly reduce NO_x emissions.

The overall rise in Fluxys' NO_x emissions that occurred in spite of this is mainly due to the fact that the gas engines at the Weelde compressor station had to be used more often. These engines emit more NO_x than the gas turbines in the same station. There are plans to replace the gas engines at Weelde in 2011. From then on, Fluxys' NO_x emission will fall significantly.

NO_x emissions in 2008



3.4.4.3 Soil

On its own initiative, Fluxys decided to carry out soil investigations at all its stations. In total, 160 facilities are involved. Where necessary, the soil is remediated.

A periodic exploratory soil investigation was carried out at the Zeebrugge LNG terminal in 2008 and has been approved by the Flemish Region. The soil remediation work at the Weelde and Grâce-Hollogne stations has also been approved by the relevant authorities.

3.4.4.4 Fauna and flora

Fluxys takes great pains to conserve ecosystems in areas where pipelines are laid. Where required, the company carries out environmental impact assessments for new projects. The environmental impact assessments must be approved by the relevant authorities.

Environmental Impact Assessments (EIAs). The following environmental impact assessments were submitted in 2008 and approved by the authorities:

- construction of a pipeline from Dilsen Metering Station to Dilsen-Boslaan;
- construction of the Lommel–Ham–Tessenderlo pipeline;
- construction of the RTR2 pipeline covering the Opwijk–Eynatten route.

An EIA exemption file ('mini-EIA') was submitted for laying signalling cables (fibre optic cables) along the Poppel-Blaregnies pipeline from Poppel to Heist-op-den-Berg. The exemption file for Kallo-Melseledijk was approved. Finally, Fluxys received a 'satisfactory assessment' (Passende Beoordeling) for the Weelde work site facilities. A 'satisfactory assessment' is drafted whenever potentially significant adverse environmental impacts may occur.

‘Post-assessment’. In 2008, five years after the construction of the Dilsen-Lommel pipeline, a ‘post-assessment’ was carried out to establish to what extent the natural environment had recovered. This assessment shows that it had recovered well and the measures Fluxys takes when laying pipelines indeed pay off.

Promoting nature. In the Voeren area, the route of the new Fluxys RTR2 pipeline runs close to the Berwinne river. Near to the Berwinne, Fluxys has bought a piece of land where the company plans to work with the Flemish authorities to implement a natural development plan.

IV. CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS


AL THA

I. General information on the company

Corporate name and registered office

The registered office of the parent company Fluxys SA is Avenue des Arts 31, B – 1040 Brussels, Belgium.

Group activities

The main activities of the Fluxys Group are the transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. The Fluxys Group also carries out complementary services related to these main activities.

The transmission (transport and transit), storage and LNG terminalling services in Belgium are subject to the "Gas Law"[1].

Please refer to the specific chapters in the directors' report for further information on the activities of Fluxys Group.

(1) Law of April 12th, 1965 on the transmission of gaseous and other products by pipeline, as subsequently amended.

II. Consolidated financial statements of the Fluxys Group under IFRS

A. CONSOLIDATED BALANCE SHEET (2008-2007)

Consolidated balance sheet under IFRS			In thousands of €
	Note	31-12-2008	31-12-2007
I. Non-current assets		**2,345,416**	**1,729,056**
Property, plant and equipment	12	1,883,406	1,543,585
Intangible assets	13	17,549	14,179
Goodwill	14	410,758	4,507
Other financial assets	16	2,989	394
Finance lease receivables	17	30,486	165,853
Other non-current assets	18	228	529
Deferred tax assets	28	0	9
II. Current assets		**316,186**	**340,594**
Inventories	19	67,981	33,980
Other current financial assets	33	15,306	0
Income tax receivable	20	26,125	891
Finance lease receivables	17	1,093	19,107
Trade and other receivables	21	31,779	51,799
Cash and cash equivalents	22	166,658	219,500
Other current assets	23	7,244	15,317
Total assets		**2,661,602**	**2,069,650**

Consolidated balance sheet under IFRS			In thousands of €
	Note	31-12-2008	31-12-2007
I. Equity	24	**1,288,511**	**1,239,647**
Equity attributable to equity holders of the parent company		1,268,834	1,217,051
Share capital and share premiums		*60,310*	*60,310*
Retained earnings		*1,210,254*	*1,157,275*
Translation adjustments		*-1,730*	*-534*
Minority interest		19,677	22,596
II. Non-current liabilities		**967,479**	**713,088**
Interest-bearing liabilities	25	534,157	303,212
Provisions	26	23,541	22,477
Provisions for employee benefits	27	72,196	49,427
Deferred tax liabilities	28	337,585	337,972
III. Current liabilities		**405,612**	**116,915**
Interest-bearing liabilities	25	186,500	48,273
Provisions	26	95,486	6,810
Provisions for employee benefits	27	4,789	3,125
Other financial liabilities	33	3,333	0
Income tax payable	29	8,361	1,270
Trade and other liabilities	30	103,659	53,199
Other current liabilities	31	3,484	4,238
Total equity and liabilities		**2,661,602**	**2,069,650**

B. CONSOLIDATED INCOME STATEMENT (2008-2007)

Consolidated income statement under IFRS			In thousands of €
	Note	31-12-2008	31-12-2007
Revenue	4	592,203	433,041
Other operating income	5	13,224	10,271
Consumables, merchandise and supplies used	6	-30,498	-32,433
Miscellaneous goods and services	6	-148,242	-141,535
Personnel costs	6	-106,474	-96,418
Other operating charges	6	-8,117	-5,097
Depreciation and amortization	6	-78,251	-65,905
Provisions	6	-53,728	7,591
Impairment losses	6	-3,140	239
Profit from operations		**176,977**	**109,754**
Profit/loss due to disposal of financial assets	7a	3,016	0
Financial income	7b	24,400	28,182
Cost of financial instruments	8	-9,777	0
Financial expenses	8	-35,398	-20,314
Profit from continuing operations		**159,218**	**117,622**
Income tax expense	9	-46,323	-35,801
Net profit for the period	10	**112,895**	**81,821**
Fluxys share		110,964	77,077
Minority interest		1,931	4,744
Basic earnings per share attributable to shareholders of parent company in €	11	157.9253	109.6969
Diluted earnings per share attributable to shareholders of parent company in €	11	157.9253	109.6969

Statement of recognized income and expense			In thousands of €
	Note	31-12-2008	31-12-2007
Net profit for the period	10	**112,895**	**81,821**
Actuarial gains/losses in respect of liabilities after employment	27	-15,205	3,706
Translation adjustments		-1,196	-604
Other		0	0
Gains and losses directly recognized in equity		**-16,401**	**3,102**
Total recognized income and expense		**96,494**	**84,923**

C. CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD)

Cash flow statement (indirect method)	In thousands of €	
	31-12-2008	31-12-2007
I. CASH AND CASH EQUIVALENTS, OPENING BALANCE	**219,500**	**278,600**
II. NET CASH FLOWS FROM OPERATING ACTIVITIES	**277,044**	**40,564**
1. Cash flows from operating activities	**335,291**	**80,264**
1.1. Profit from operations	176,977	109,754
1.2. Adjustments for non-monetary items	135,487	57,851
1.2.1. Depreciation and amortization	78,251	65,905
1.2.2. Provisions	53,728	-7,591
1.2.3. Impairment losses	3,140	-239
1.2.4. Translation adjustments	-2,161	-217
1.2.5. Other adjustments for non-monetary items	2,529	-7
1.3. Changes in working capital	22,827	-87,341
1.3.1. Inventories	-36,818	-12,248
1.3.2. Income tax receivable	-25,234	-798
1.3.3. Trade and other receivables	20,009	-26,296
1.3.4. Other current assets	8,073	-10,089
1.3.5. Income tax payable	7,091	-17,645
1.3.6. Trade and other payables	50,460	-21,880
1.3.7. Other current liabilities	-754	1,135
1.3.8. Other changes in working capital	0	480
2. Cash flows from other operating activities	**-58,247**	**-39,700**
2.1. Income tax	-69,172	-50,478
2.2. Interest from marketable securities, cash and cash equivalents	11,954	11,062
2.3. Other cash flows from other operating activities	-1,029	-284
III. NET CASH FLOWS USED IN INVESTING ACTIVITIES	**-1,190,046**	**-138,880**
1. Acquisitions	**-1,193,829**	**-139,416**
1.1. Acquisitions of property, plant and equipment, and intangible assets	-209,253	-139,416
1.2. Acquisitions of subsidiaries, joint ventures or associates	-981,637	0
1.3. Acquisitions of other financial assets	-2,939	0

Cash flow statement (indirect method)	In thousands of €	
	31-12-2008	31-12-2007
2. Disposals	**3,783**	**536**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	844	533
2.2. Proceeds from disposal of subsidiaries, joint ventures or associates	1,370	0
2.3. Proceeds from disposal of other financial assets	1,569	3
3. Dividends received classified as investing activities	**0**	**0**
4. Capital subsidies received	**0**	**0**
5. Other cash flows used in investing activities	**0**	**0**
IV. NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**315,282**	**39,216**
1. Cash flow from financing activities	**410,847**	**138,039**
1.1. Issue of equity instruments	0	0
1.2. Disposal of treasury shares	0	0
1.3. Finance lease contracts	9,970	19,109
1.4. Other non-current assets	301	223
1.5. Issue of compound financial instruments	0	0
1.6. Issue of other financial liabilities	400,576	118,707
2. Cash flows used in financing activities	**-27,966**	**-18,350**
2.1. Repurchase of equity instruments for their cancellation / annulment	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of debt related to a finance lease contract	-18,276	-17,794
2.4. Repurchase of compound financial instruments	0	0
2.5. Repurchase of other financial liabilities	-9,690	-556
3. Interest	**-19,970**	**-1,346**
3.1. Interest paid classified as financing activities	-26,151	-12,967
3.2. Interest received classified as financing activities	6,181	11,621
4. Dividends paid	**-47,629**	**-79,127**
5. Increase (reduction) of bank overdrafts		
6. Other financing cash flows		
V. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-597,720**	**-59,100**
VI. EFFECTS OF CHANGES IN CONSOLIDATION SCOPE	**544,878**	**0**
VII. CASH AND CASH EQUIVALENTS, CLOSING BALANCE	**166,658**	**219,500**

III. Notes

NOTE 1a. STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Fluxys Group have been prepared in accordance with the *International Financial Reporting Standards*, as approved in the European Union. All figures are stated in thousands of euros.

NOTE 1b. JUDGMENT AND USE OF ESTIMATES

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, to assess the positive and negative consequences of unforeseen situations and events at the balance sheet date, and to form a judgment as to the revenues and expenses of the fiscal year.

Significant estimates made by the Group in the preparation of the financial statements relate mainly to the evaluation of the recoverable amount of property, plant and equipment, and intangible assets, and the valuation of provisions, in particular provisions for litigation and for pension and related liabilities.

Due to the uncertainties inherent in all valuation processes, the Group revises its estimates on the basis of regularly updated information. Future results may differ from these estimates.

Other than the use of estimates, Group management also uses judgment in defining the accounting treatment for certain operations and transactions not addressed under the IFRS standards and interpretations currently in force.

In 2008, as indicated in the foreword to the directors' report, Fluxys, Fluxys & Co and SEGEO launched appeals against CREG's tariff decisions for 2008-2011.

In the absence of final legal decisions when the annual accounts were closed and although the Group formally disputes the CREG positions, the Fluxys Group has decided as a precautionary measure to include the effects of the contested CREG decisions in its financial statements for 2008.

NOTE 1c. DATE OF AUTHORIZATION FOR ISSUE

On March 5th, 2009 the Board of Directors of Fluxys SA authorized these IFRS financial statements for issue.

NOTE 1d. CHANGES OR ADDITIONS TO THE ACCOUNTING PRINCIPLES AND METHODS

In 2008, changes or additions were made to the following accounting principles and methods:

Changes and additions:

Tangible fixed assets

The depreciation rate of certain regulated installations was retrospectively reviewed from January 1st, 2008. The resulting depreciation rates were brought in line with the Royal Decree on tariffs of June 8th, 2007 and reflect the rate at which Fluxys and Fluxys LNG expect to use the future economic benefits of these assets.

This change, which was approved by the Fluxys Board of Directors at its meeting of June 26th, 2008, led to a €2.2 million increase in the net profit for the period.

Moreover, further to Fluxys' acquisition of Fluxys & Co with effect from July 1st, 2008, the useful life of LNG ships (40 years) was added to the useful lives of the tangible fixed assets.

Provisions for pensions and other collective commitments

The description of "defined benefit" pensions has been reformulated to give a more accurate reflection of the Fluxys Group's commitment in this regard:

*"**Defined benefit" pension plans** enable employees to benefit from a capital sum calculated on the basis of a formula which is based on the annual salary at the end of their career and their seniority when they retire."*

Financial instruments

The acquisition of Fluxys & Co, with effect from July 1st, 2008, has led to derived financial instruments appearing in the Group's financial statements. These derived financial instruments can't be classified under hedging instruments according to IAS 39.

These derived financial instruments are intended to cover the Group's exposure to exchange and interest rate risks but do not meet the strict criteria as laid down in IAS 39 "Financial Instruments: Recognition and Measurement".

Changes in the fair value of these financial instruments are directly recognized in the income statement and led to a reduction of €4.8 million in the net profit for the period.

NOTE 1e. ADOPTION OF NEW ACCOUNTING PRINCIPLES OR REVISED IFRS STANDARDS

At the date of authorization of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:

IAS 1 – *Presentation of Financial Statements* (applicable for annual periods beginning on or after January 1st, 2009). This standard replaces IAS 1 – Presentation of Financial Statements (revised in 2003) in the changed version of 2005

Amendments to IAS 27 – *Consolidated and Separate Financial Statements* (revised in 2008) (applicable for annual periods beginning on or after July 1st, 2009)

Amendments to IFRS 2 – *Vesting Conditions and Cancellations* (applicable for annual periods beginning on or after January 1st, 2009)

Amendments to IAS 32 – *Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation* (applicable for annual periods beginning on or after January 1st, 2009)

Amendments to IAS 39 – *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (applicable for annual periods beginning on or after July 1st, 2009)

IFRS 3 – *Business Combinations* (revised in 2008) (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1st, 2009)

IFRS 8 – *Operating Segments* (applicable for annual periods beginning on or after January 1st, 2009)

Amendments to IAS 23 – *Borrowing Costs* (revised in 2007) (applicable for annual periods beginning on or after January 1st, 2009)

Improvements to IFRS (2008) (under normal circumstances, applicable for annual periods beginning on or after January 1st, 2009)

Amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements* (under normal circumstances, prospectively applicable for annual periods beginning on or after January 1st, 2009)

IFRIC 13 – *Customer Loyalty Programmes* (applicable for annual periods beginning on or after July 1st, 2008)

IFRIC 15 – *Agreements for the Construction of Real Estate* (applicable for annual periods beginning on or after January 1st, 2009)

IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation* (applicable for annual periods beginning on or after October 1st, 2008)

IFRIC 17 – *Distributions of Non-cash Assets to Owners*

(applicable for annual periods beginning on or after July 1st, 2009)

IFRIC 18 – *Transfers of Assets from Customers* (applicable to transfers of assets received on or after July 1st, 2009)

Group management believes that the application of these standards and interpretations will have no material impact on the Group's financial statements in the future.

NOTE 2. ACCOUNTING PRINCIPLES AND METHODS

The accounting principles and methods set out below were approved at the Fluxys Board of Directors meeting of March 5th, 2009.

Any changes or additions in relation to 2007 are underlined and have been validated by the Board of Directors.

2.1. General principles

The financial statements fairly present Fluxys Group's financial position, operating results and cash flows.

The Group's financial statements have been prepared on an accrual basis, except for the cash flow statement.

Assets and liabilities have not been offset against each other, except when required or allowed by an international accounting standard.

Current and non-current assets and liabilities have been presented separately in the Fluxys Group's balance sheet.

The accounting methods have been applied in a consistent manner.

2.2. Basis of consolidation

Fluxys Group's consolidated financial statements have been prepared in accordance with IFRS, in particular IFRS 3 (*Business Combinations*), IAS 27 (*Consolidated and Separate Financial Statements*), IAS 28 (*Investments in Associates*) and IAS 31 (*Interests in Joint Ventures*).

Subsidiaries (controlled by the Group) are fully consolidated (IAS 27), joint ventures (jointly controlled) are consolidated using proportionate consolidation (IAS 31) and associates (upon which the Group has significant influence) are consolidated via the equity method (IAS 28).

Control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but not to control or jointly control these policies.

An associate may not be accounted for under the equity method if its impact on financial statements is immaterial.

2.3. Balance sheet date

Consolidated financial statements are prepared as of December 31st, the parent company's balance sheet date.

When a subsidiary, a joint venture, or an associate's balance sheet date falls between September 30th and December 31st, its financial statements are used as they stand. However, if significant transactions or events occur between the subsidiary's, the joint venture's or the associate's balance sheet date and December 31st, adjustments are made to account for the impact of these significant transactions and other events.

If the balance sheet date is prior to September 30th, interim financial statements are prepared as at December 31st for consolidation purposes.

2.4. Subsequent events

The carrying amount of assets and liabilities at the balance sheet date is adjusted when events after the balance sheet date provide evidence of conditions that existed at the balance sheet date.

Adjustments can be made until the date of approval of the financial statements by the Board of Directors.

Other events relating to circumstances arising after balance sheet date are disclosed in the notes to the consolidated financial statements, if significant.

2.5. Translation of foreign entities' financial statements

For consolidation purposes, the assets and liabilities of the Group's foreign operations are translated into euro at the exchange rate prevailing at balance sheet date.
The income statement is translated at the average exchange rate for the period unless the exchange rate has fluctuated significantly during the year.

The Group's share of the resulting exchange differences is reported as translation adjustment in the equity section of the balance sheet, whereas the minority interests' share in those differences is reported as "minority interests" in equity.

2.6. Goodwill

Goodwill represents the excess, at acquisition date, of the cost of a business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

- If this difference is positive, goodwill is recognized as an asset. An impairment test is carried out each year, even when there is no indication that goodwill may have been impaired, or more frequently if events or changes in circumstances indicate that goodwill may have been impaired (IFRS 3 – *Business Combinations*).

- If the difference is negative, negative goodwill is recognized in the income statement.

2.7. Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the enterprise and if the cost of the asset can be measured reliably.

Intangible assets are recognized at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Intangible assets with a limited useful life are depreciated on a straight-line basis over their useful life.

Computer software is depreciated at 20% per annum.

Subsequent expenditure is capitalized if it generates economic benefits exceeding the initial standard of performance.

Intangible assets are reviewed at each balance sheet date in order to identify indications of potential impairment that may have arisen during the fiscal year. In case such indications are noted, an estimate of the recoverable amount of the intangible assets in question is established. The recoverable amount is defined as the higher of the net fair value of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discount rate.

Intangible assets are impaired when their carrying amount exceeds the amount that can be recovered, as a result of obsolescence of these assets or due to economic or technological circumstances.

Intangible assets with an indefinite useful life are subject to an annual impairment test, and an impairment loss is recognized when their carrying amount exceeds their recoverable amount.

The useful life, the depreciation method, as well as the potential residual value of intangible assets are reassessed at each balance sheet date and revised prospectively, if applicable.

Emission rights for greenhouse gases

Emission rights for greenhouse gases acquired at fair value are recognized as intangible assets at their acquisition cost. Rights granted free of charge are recognized as intangible assets at a nil book value.

The emission of greenhouse gases in the atmosphere is recognized as an operating expense, the corresponding entry being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts).

This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

This liability is derecognized on the delivery of allowances to the government by withdrawing emission rights from intangible assets.
In case the allowances are insufficient to cover the emission of greenhouse gases during the fiscal year, the Group establishes a provision. This provision is measured by reference to the market value at balance sheet date of the allowances still to be purchased.

The excess emission rights not sold on the market are valued at balance sheet date by reference to the weighted average cost of the acquired or granted allowances, or at market value if lower than the weighted average cost.

2.8. Property, plant and equipment

Property, plant and equipment (PPE) is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the enterprise and if the cost of the asset can be measured reliably.

PPE is recognized at cost in the balance sheet (*cost method*), less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalized if it generates economic benefits exceeding the initial standard of performance.

PPE is reviewed at each balance sheet date in order to identify indications of potential impairment that may have arisen during the financial year. In the case that such indications are noted, an estimate of the recoverable amount of the PPE in question is established. The recoverable amount is defined as the higher of the net fair value of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discount rate.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards included in the ownership of an asset to the lessee. Assets held under these contracts are recognized at the lower of their fair value or the present value of the minimum lease payments under the lease contracts. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

Capital subsidies and tax deductions for investment

Subsidies related to property, plant and equipment as well as contributions by third parties in the funding of such assets are deducted from the acquisition cost of these assets.

The fiscal benefit arising from the deduction for investment reduces the gross value of the related assets, the corresponding entry being deferred taxes.

Depreciation methods

PPE is depreciated on a straight-line basis over its useful life.

Each significant component of PPE is recognized separately and depreciated over its useful life.
The depreciation method reflects the pattern in which the Group expects to consume the future economic benefits related to the asset.

On this basis, the main depreciation rates are as follows:

- 50 years for pipelines related to transmission in Belgium, terminalling facilities and tanks;
- 50 years for administrative buildings and staff housing and facilities;
- 40 years for storage and LNG ship facilities;
- 33 years for industrial buildings;
- 10 years for equipment and furniture;
- 5 years for vehicles and site machinery;
- 4 years for computer hardware;
- 3 years for prototypes;
- 10 to 40 years for other installations.

The useful life, the depreciation method as well as the potential residual amount of PPE are reassessed at each balance sheet date and revised prospectively, if applicable.

2.9. Unconsolidated investments (such as shares and equity rights)

Unconsolidated equity investments are recognized at fair value or at cost if their fair value cannot be measured reliably.

Changes in fair value are recognized directly in equity until the asset is derecognized, at which time the cumulative amount in equity is transferred to the income statement.
In case of objective indications of impairment of unconsolidated equity investments, an impairment test is carried out, and, if necessary, an impairment loss is directly recognized in the income statement.

2.10. Finance lease receivables

Assets under finance lease are assets for which the Group transfers substantially all risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognized on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question. Lease payments are apportioned between financial income and a reduction of the lease receivable so as to achieve a constant rate of return on the net investment by the Group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the following criteria is adopted: a contract is considered as finance lease if the present value of the minimum lease payment amounts to at least 90% of the fair value of the leased asset, as stated at the inception of the lease contract. No residual value is assumed for gas transmission assets in Belgium, due to the specific nature of the activities concerned.

2.11. Inventories

Valuation

Inventories are valued at the lower of cost and net realisable value.

Inventories are written down to account for:

- a reduction in net realisable value, or
- write-downs due to unforeseen circumstances in relation with the nature or use of the assets

These write-downs on inventories are recognized in the income statement in the period in which they arise.

Gas inventory

Gas inventory movements are valued under the weighted average cost method.

Supplies and consumables

Supplies and consumables are valued under the weighted average cost method.

Work in progress

Work in progress for third parties is valued at cost, including indirectly attributable costs.

When the outcome of a contract can be reliably estimated, contract revenue and expenses are recognized as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date. Any expected loss is recognized immediately as an expense in the income statement.

2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial period of time to get ready for their intended use (property, plant and equipment, inventories, investment property, etc.), are added to the costs of the assets concerned until they are ready for use or sale.

The amount of the borrowing costs to be capitalized is the actual cost incurred in borrowing the funds, as reduced by income from any temporary investment of these funds.

2.13. Financial instruments

Investments

Investments in financial instruments with a maturity date exceeding 3 months at their acquisition date are reported as financial assets at fair value with changes in fair value recognized in the income statement. Changes in the fair value of these financial assets are directly recognized in the income statement.

Derivative instruments not designated as hedging instruments

Fluxys Group uses derivative financial instruments to cover its exposure to exchange and interest rate risks. Certain financial instruments, although covering clearly-defined risks, do not fall under the strict criteria for the application of IAS 39 – Financial Instruments: Recognition and Measurement.

Changes in the fair value of these financial assets are directly recognized in the income statement.

2.14. Cash and cash equivalents

Cash and cash equivalents include money held, short-term bank deposits and deposits readily convertible to a known cash amount, which are subject to an insignificant risk of changes in value (3 months maximum).

Cash equivalents are reported at fair value under financial assets via the income statement. Changes in the fair value of these financial assets are directly recognized in the income statement.

2.15. Trade and other receivables

Trade and other receivables are stated at their nominal value reduced by any amounts deemed unrecoverable.

When the time value of money is significant, trade and other receivables are discounted.

Impairment losses are recognized when the carrying value of these items at balance sheet date exceeds their recoverable amount.

2.16. Provisions

Provisions are recognized as a liability in the balance sheet when they meet the following criteria:

- the Group has a present (legal or constructive) obligation arising from past events, and
- it is likely (i.e. more likely than not) that the settlement of this obligation will lead to an outflow of resources embodying economic benefits and,
- the amount of the obligation can be reliably estimated.

No provision is recognized if the above conditions are not met.

The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words, the amount the enterprise reasonably expects to need to pay to discharge the obligation at balance sheet date, or to transfer it to a third party at the same date.

This estimation is based either on a request from a third party or on estimates or detailed calculations. For all provisions recognized, management considers that the probability of an outflow of resources exceeds 50%.

When the time value of money is significant, provisions are discounted. The discount rate used is a rate before tax reflecting current market estimates of the time value of money and taking into account any risks associated with the type of liability in question.

All risks incurred by the Group that do not comply with the above mentioned criteria are disclosed as contingent liabilities in the Notes to the consolidated financial statements.

Provisions for pension benefits and other collective agreements

Fluxys has established supplementary defined benefit and defined contribution pension plans; benefits provided under these plans are based on the number of years of service and the final pay of the employee.

"Defined benefit" pension plans enable employees to benefit from a capital sum calculated on the basis of a formula which takes account of their annual salary at the end of their career and their seniority when they retire.

"Defined contribution" pension plans provide employees with a capital sum accumulated from personal and employer contributions.

In case of death before retirement, both plans provide a capital sum for the surviving spouse, as well as allowances for orphans.

Valuation

Pension plans are valued annually by a qualified actuary.

Regular payments made in relation to the supplementary pension plans are recognized as expenses at the time they are incurred.

Provisions for pensions and other collective agreements are reported in the balance sheet in accordance with IAS 19 (*Employee benefits*), using the projected unit credit method.

Actuarial gains and losses (post-employment benefits)

Actuarial gains and losses arising on the estimation of the unfunded obligations regarding post-employment benefits are not charged or credited to the income statement. They are recognized directly in equity through the statement of recognized income and expense.

2.17. Interest-bearing liabilities

Interest-bearing liabilities are recognized for the net amount received. Following initial recognition, interest-bearing liabilities are recorded at amortized cost. The difference between the amortized cost and the redemption value is recognized in the income statement under the effective interest rate method over the term of the liabilities.

2.18. Trade payables

Trade payables are stated at nominal value.

When the time value of money is significant, trade payables are discounted.

2.19. Foreign currency assets, rights, liabilities and commitments

Recognition at the date of the transaction

Foreign currency receivables and payables are measured at the exchange rate prevailing at the transaction date.

Measurement at balance sheet date

At balance sheet date, in accordance with IAS 21 (*Effects of Changes in Foreign Exchange Rates*), monetary assets and liabilities, as well as rights and commitments, are translated at the closing rate.

The resulting foreign currency transaction gains and losses are grouped by currency and recognized in the income statement .

2.20. Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received, in case revenue is deemed to belong to the company and the fair value can be measured reliably.

Regulated revenues received by the Group may generate a gain or a loss compared to the target rate of return on the capital invested. Gains are deferred (current or non-current liabilities), whereas losses are recognized in operating income, with the booking of an asset (current or non-current) as counterpart.

2.21. Income taxes

Current tax liabilities are determined in accordance with local tax regulations and are calculated on the income of the parent company and its subsidiaries, and the share of the income of the joint ventures.

Deferred tax liabilities and receivables reflect the taxable and deductible temporary differences, respectively, between the book value and the tax value of assets and liabilities.

Deferred tax liabilities and receivables are measured at the enacted or substantially enacted income tax rate applicable to the financial year in which the underlying receivable is expected to be realized or the underlying liability settled.

Deferred tax receivables are recognized only to the extent that it is probable that taxable profit will be available against which the deferred tax receivables can be offset.

NOTE 3. CHANGES IN THE CONSOLIDATION SCOPE

The following changes have occurred to the consolidation scope and to the ownership interests compared to December 31st, 2007.

ACQUISITIONS

Fluxys & Co SA

Acquisition and its financial impact:

Following a decision of the Board of Directors on June 30th, 2008 and the favourable opinion of its Board of Independent Directors created pursuant to the provisions of article 524 of the Company Code, Fluxys Group acquired full ownership of Distrigaz & C° SA in July 2008. This company's main activity is commercializing natural gas transit capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) pipelines. In addition to these transit operations and an important cash position, Distrigaz & C° has a 49% shareholding in an LNG carrier and a 10% shareholding in Huberator.

The purchase price, which is liable to adjustment, was €974.6 million.

The price is comprised of the following components:

- transit activities: €350 million;
- participation in the LNG ship: €75 million;
- participation in Huberator: €4 million;
- cash: €545.6 million.

The acquisition of Fluxys & Co included a clause providing for an increase in the price of the transit activities if legislative, regulatory or judicial decisions led to the value of these activities exceeding the contractual value of €350 million before the end of the adjustment period running until 2015.

Furthermore, Fluxys obtained a hold harmless guarantee of €250 million from SUEZ-Tractebel and Publigas to cover the risk of the value of the transit activities falling below €350 million as the result of legislative, regulatory or judicial decisions. This guarantee also expires in 2015.

The purchase price of the shareholdings in the LNG ship and Huberator reflects the fair value of these assets.

After three years, Distrigas has an option lasting for six months to purchase the shareholding in the LNG ship. The exercise price of this option is set at €70 million. Fluxys also has an option to sell the same shareholding to SUEZ-Tractebel (or any company in the same group designated by SUEZ-Tractebel) under identical conditions if Distrigas does not exercise its option.

Distrigas also had an option to purchase the Huberator shareholding in the six months following the transfer of the Distrigaz & C° shares. Distrigas exercised this option on December 31, 2008, buying for €4 million the 10% shareholding in Huberator held by Distrigaz & C°.

In the second half of 2008, the name of the company changed from Distrigaz & C° to Fluxys & Co, its registered office moved to Avenue des Arts 31, B - 1040 Brussels.

At the same time the legal format was changed from being a limited partnership with shares into a public limited company.

Fluxys has effective control of Distrigaz & C° since July 1st, 2008. The initial recognition of the cost of the business combination was only provisional due to the considerable uncertainty surrounding the current regulatory situation (see Note 14 "Goodwill").

The accounts of Distrigaz & C° have been fully consolidated into the Fluxys Group accounts since the second half of 2008, boosting revenue by €69.1 million and net profit for the period by €13.0 million. This was partially offset by the financial costs involved in this acquisition. Over a full year, revenue would have been €135 million and net profit for the period would have been €30.4 million, excluding the financial costs involved in the acquisition and changes in the fair value of the financial instruments in the first half of the year.

Strategic interest of the operation

The acquisition of the transit activities of Distrigaz & C° is of strategic importance for Fluxys Group for a number of reasons:

- this acquisition means that Fluxys Group covers all infrastructure activities (transit, transport, storage and LNG terminalling);
- Fluxys can maximize the operational synergies between transit and transport;
- by bringing together these activities in the Group, Fluxys can optimize its investments and its services to match the needs of a fast-changing market.

The transaction also enhances international recognition of the transit expertise of the Fluxys Group. This could be useful if Fluxys was to develop its transit activities abroad.

Assets and liabilities of Fluxys & Co on the acquisition date	In thousands of €
	01-07-2008
I. Non-current assets	**214,727**
Tangible fixed assets	214,702
Other financial assets	25
II. Current assets	**612,232**
Inventory	4
Other current financial assets	22,570
Income tax receivable	26,677
Trade and other receivables	14,213
Cash and cash equivalents	546,904
Other assets	1,864
Total assets	**826,959**

	01-07-2008
I. Equity	**568,025**
II. Non-current liabilities	**164,573**
Interest-bearing liabilities	134,274
Deferred tax liabilities	30,299
III. Current liabilities	**94,361**
Interest-bearing liabilities	34,298
Provisions	35,456
Other financial liabilities	1,186
Income tax payable	18,508
Trade and other liabilities	2,800
Other liabilities	2,113
Total liabilities	**826,959**

SEGEO SA

Fluxys' acquisition of the Gaz de France shareholding in SEGEO

SEGEO – Société Européenne du Gazoduc Est-Ouest – is the owner of the infrastructure for natural gas transport between 's-Gravenvoeren and Blaregnies. This infrastructure, operated by Fluxys, is responsible for transmission of natural gas to Belgium and France.

On June 27th, 2008, Gaz de France and Fluxys signed an agreement whereby Gaz de France sold its 25% shareholding in SEGEO to Fluxys for €7 million.

As a result of the approval of this sale by the European Commission, Fluxys is now the sole owner of SEGEO, with effect from July 1st, 2008.

From that date, the accounts of SEGEO were fully consolidated into the Fluxys Group accounts (as opposed to the proportionate consoliation of 75% until June 30th, 2008). The initial recognition of the cost of the business combination was only provisional due to the considerable uncertainty surrounding the current regulatory situation (see Note 14 "Goodwill").

This additional acquisition boosted revenue by €0.7 million and net profit for the period by €0.6 million. This was partially offset by the financial costs associated with this acquisition. In the course of a year, the expected effects of the acquisition on these items would have been approximately double.

TRANSFERS AND DISPOSALS

Compartment Distri Ré

Flux Ré, a company set up in October 2007, took on the coverage of all the risks previously covered by Distri Ré on behalf of Fluxys Group. As a result, the Fluxys compartment in Distri Ré was transferred to this subsidiary with effect from January 1st, 2008. Flux Ré was fully integrated into the consolidation scope of Fluxys Group. The company share that Fluxys LNG held in Distri Ré was sold at the same time.

APX Gas Zeebrugge

The Group held, through Huberator, a 42% shareholding in the joint venture APX Gas Zeebrugge, which was responsible for the e-commerce platform and clearing services on the Zeebrugge gas hub.

This participation was sold in the beginning of March 2008. A consolidated gain of €1.8 million was made on this disposal.

Information on investments

Fully consolidated companies						
Name of the subsidiary	Registered office	Company registration number	% sharehol-ding	Core business	Currency	Balance sheet date
SEGEO SA	Avenue des Arts 31 B- 1040 Bruxelles	0415 204 441	100.00 % (1)	Gas transmission	EUR	December 31st
FLUXYS LNG SA	Rue Guimard 4 B - 1040 Bruxelles	0426 047 853	93.20 %	LNG Terminalling	EUR	December 31st
HUBERATOR SA	Rue Guimard 4 B - 1040 Bruxelles	0466 874 361	90.00 %	Gas hub	EUR	December 31st
Fluxys & Co SA	Avenue des Arts 31 B- 1040 Bruxelles	0464 255 658	100.00 % (1)	Transit and LNG carrier	EUR	December 31st
GMSL Ltd	Clarendon Road GB - Cambridge CB2 2BH	-	100.00 %	Services	GBP	December 31st
FLUXYS NL BV	Schouwburgplein 30/34 NL - 3012CL Rotterdam	-	100.00 %	Holding company	EUR	December 31st
FLUXYS BBL BV	Schouwburgplein 30/34 NL - 3012CL Rotterdam	-	100.00 %	Holding company	EUR	December 31st
FLUX RE SA	Rue de Merl 74 L - 2146 Luxembourg	-	100.00 %	Reinsurance company	EUR	December 31st

(1) From July 1st, 2008

Companies consolidated under the proportionate consolidation method						
Name of the joint venture	Registered office	Company registration number	% sharehol-ding	Core business	Currency	Balance sheet date
SEGEO SA	Avenue des Arts 31 B- 1040 Bruxelles	0415 204 441	75.00 % (2)	Gas transmission	EUR	December 31st
BBL Company VOF	Concourslaan 17 NL - 9700AE Groningen	-	20.00 %	Gas transmission	EUR	December 31st

(2) Until June 30th, 2008

Special partnership						
Name of the association in participation	Registered office	Company registration number	% shareholding	Core business	Currency	Balance sheet date
PR BW Gas / Distrigas LNG Transport DA	Norway	-	49,00 % (3)	LNG carrier	USD	December 31st

(3) From July 1st, 2008

Details regarding joint ventures stated in the Group				In thousands of €
	31-12-2008 *		31-12-2007	
100 %	BBL Company VOF	SEGEO SA	BBL Company VOF	APX GAS ZEEBRUGGE BV
Non-current assets	504,607	3,329	511,272	0
Current assets	14,748	9,488	22,571	7,883
Non-current liabilities	0	0	0	8,607
Current liabilities	8,123	6,619	14,104	279
Revenue	123,321	14,641	102,462	133
Operating expenses	-44,864	-7,354	-42,914	-760
Net financial income	-964	860	406	46
Income tax expense	-19,761**	-2,679	-15,288	0
Net profit/loss for the period	57,732	5,468	44,666	-581

** Subject to approval by the Boards of Directors and the Annual General Meetings of the above mentioned companies.*

*** Tax transparent entity: taxes paid by the partners.*

Companies which are not withheld in the equity method due to their insignificant impact						
Name of the associated company	Registered office	Company registration number	% shareholding	Core business	Currency	Balance sheet date
BELGIAN PIPE CONTROL SA	rue Guimard 4 B - 1040 Bruxelles	0446 109 037	25.00 %	Services	EUR	December 31st

NOTE 4. REVENUE

Analysis of revenue by business segment

Revenue under IFRS				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Transmission in Belgium	4.1	399,811	284,111	115,700
Storage in Belgium	4.1	47,312	39,617	7,695
Terminalling in Belgium	4.1	76,381	50,378	26,003
Other	4.2	68,699	58,935	9,764
Total		**592,203**	**433,041**	**159,162**

Revenue. Revenue in the fiscal year 2008 amounted to €592,203 thousand, an increase of €159,162 thousand compared to €433.041 thousand in the fiscal year 2007.

Transmission (transport and transit), storage and terminalling services in Belgium are subject to the "Gas Law"[1].

Since 2008, tariffs for these services are based on tariff proposals for a multiannual four-year tariff period submitted for approval to the Commission for Electricity and Gas Regulation (CREG). These tariffs aim to ensure a sufficient return on capital invested and to cover depreciation and amortization as well as operating charges related to these services, taking into account the productivity efforts to be made by the system operator.

As indicated in the foreword to the directors' report, CREG decided to reject our tariff proposals for transport, transit and storage services for the tariff period 2008-2011. CREG also believes that certain transit contracts concluded before July 1st, 2004 (the date of the entry into force of EU Directive 2003/55/EC of June 26th, 2003 concerning common rules for the internal market in natural gas) should be subject to a regulated tariff.

Fluxys, after examining the decisions taken by CREG, was unable to agree with certain analyses of CREG wich in our opinion were judged incorrectly. Accordingly, the company decided to give notice of an appeal to the Court of Appeal against these decisions and to maintain the tariffs for the time being.

(1) Law of April 12th, 1965 on the transmission of gaseous products and others by pipeline, as subsequently amended.

Regarding our transit activities, the Court of Appeal issued a judgment on November 10th, 2008 which suspended the disputed CREG decisions. This decision is provisional and needs to be confirmed by a final judgment.

Waiting for this confirmation and thus in the absence of a final judgment at the moment of closing the accounts and although it formally disputes the CREG positions, Fluxys Group decided as a precautionary measure to include the effects of the contested CREG decisions in its financial statements for 2008.

4.1. Revenue from activities subject to the "Gas Law" has been positively impacted by the following factors:

- Fluxys Group's acquisition of Fluxys & Co, which from July 1st, 2008 contributed €63,351 thousand to revenue;
- the Group's acquisition of the remaining 25% of the capital of SEGEO which Fluxys did not hold yet, leading to the full consolidation from July 1st, 2008 of the accounts of this subsidiary, which had previously been proportionally consolidated (boosting revenue by €703 thousand);
- commissioning of the capacity extension at the Zeebrugge LNG terminal on April 1st, 2008; the number of billed slots gradually increased from 66 to 110;
- the increase in the authorized rate of return related to the evolution in reference interest rates;
- the impact of the CREG decisions following the control of the results for the previous fiscal year, which had had a negative effect on the 2007 accounts;
- the increase in the level of operating expenses as a result of the inflation observed in 2008. This increase did not affect the total profit/loss for the period.

4.2. Other sources of revenue comprise, among others, services linked to the Zeebrugge gas hub, gas flow monitoring services on behalf of third parties, revenue generated by the BBL pipeline between Balgzand in the Netherlands and Bacton in the UK and activities for third parties (cathodic protection, etc...).

The increase in other revenue by €9,764 thousand results mainly from the extra revenue coming from the BBL pipeline and the acquisition of Fluxys & Co whose revenue, generated by the rental of the LNG ship, has been integrated in the accounts since July 1st, 2008.

NOTE 5. OTHER OPERATING INCOME

Other operating income				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Other operating income	5.1.	13,224	10,271	2,953

Other operating income mainly includes various recoveries from insurance companies and other debtors and income earned from making company property or personnel available to third parties.

5.1. The increase in other operating income is mainly due to the insurance compensations received in 2008 for claims in previous fiscal years.

NOTE 6. OPERATING CHARGES

Operating charges excluding net additions to amortizations, depreciations, impairment losses and provisions				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Consumables, merchandise and supplies used	6.1	-30,498	-32,433	1,935
Miscellaneous goods and services	6.2	-148,242	-141,535	-6,707
Personnel costs	6.3	-106,474	-96,418	-10,056
Other operating charges	6.4	-8,117	-5,097	-3,020
Total operating charges		**-293,331**	**-275,483**	**-17,848**
Of which costs related to rental agreements		-12,452	-10,537	-1,915

6.1. Consumables, merchandise and supplies used

These accounts include the purchases of gas necessary for balancing activities on the gas network and on the Zeebrugge gas hub as well as the gas consumed by the Group, particularly in the compressor stations.

These accounts also include the costs of transport material taken out of inventory for maintenance and repair projects and costs for work carried out on behalf of third parties (including cathodic protection).

The evolution observed is mainly due to the material taken out of inventory for maintenance and repair projects and work on behalf of third parties, partially offset by the costs for balancing the network (previously recognized in "Miscellaneous goods and services").

6.2. Miscellaneous goods and services

Miscellaneous goods and services consist of purchase of equipment, rent and rental charges, maintenance and repair charges, goods and services supplied to the company, third party remuneration, royalties and contributions, non-personnel related insurance costs, transport and travel expenses, telecommunication costs, publication and information costs, temporary staff and support staff expenses and, finally, directors' remuneration.

Miscellaneous goods and services rose in 2008. This is mainly due to the integration of Fluxys & Co since July 1st, 2008 (€3,191 thousand), and increased costs related to rental agreements, spare parts, maintenance and repairs, third party remuneration and energy costs. However, the transfer of costs for balancing the network to "Consumables, merchandise and supplies used" (since 2008) meant that the increase in "Miscellaneous goods and services" was less sharp than it otherwise would have been.

6.3. Personnel costs

The Group's total headcount at the end of December rose from 1,022 in 2007 to 1,080 in 2008, an increase of 58 units. In FTE (full-time equivalents), the headcount in 2008 totals 1,033 compared to 998.5 in 2007.

Personnel costs increased by €10,056 thousand, due to both an increase in the headcount as detailed below and a rise in salaries, mainly as a result of inflation.

Workforce	Fiscal year 2008		Previous fiscal year	
	Total number of staff	FTE	Total number of staff	FTE
Average headcount	**1,054**	**1,033.0**	**1,016**	**998.5**
Fluxys	971	951.4	941	923.8
Executives	281	279.0	261	259.5
Employees	690	672.4	680	664.3
Fluxys LNG	34	33.6	32	31.8
Executives	2	2.0	2	2.0
Employees	32	31.6	30	29.8
GMSL	48	47.5	43	42.9
Executives	4	4.0	4	4.2
Employees	44	43.5	39	38.7
Flux Re	1	0.5	0	0.0
Executives	0	0.0	0	0.0
Employees	1	0.5	0	0.0
Headcount at balance sheet date	**1,080**	**1,059.6**	**1,022**	**1,003.9**
Fluxys	993	973.8	944	926.2
Executives	294	291.8	261	259.6
Employees	699	682.0	683	666.6
Fluxys LNG	34	33.8	33	32.8
Executives	2	2.0	2	2.0
Employees	32	31.8	31	30.8
GMSL	52	51.5	45	44.9
Executives	4	4.0	4	4.0
Employees	48	47.5	41	40.9
Flux Re	1	0.5	0	0.0
Executives	0	0.0	0	0.0
Employees	1	0.5	0	0.0

6.4. Other operating charges

Other operating charges include property taxes, local taxes, and losses on disposal or decommissioning of property, plant and equipment.

The last item entailed a charge of €2,987 thousand in 2008, compared to €126 thousand in 2007.

Net additions to depreciations, amortizations, impairment losses and provisions				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Depreciation and amortization	6.5	**-78,251**	**-65,905**	**-12,346**
Intangible assets		-7,689	-5,926	-1,763
Property, plant and equipment		-70,562	-59,979	-10,583
Impairment losses	6.6	**-3,140**	**239**	**-3,379**
Goodwill		-312	-240	-72
Inventories		-2,817	479	-3,296
Trade receivables		-11	0	-11
Provisions for liabilities and charges	6.7	**-53,728**	**7,591**	**-61,319**
Total additions to depreciations, amortizations, impairment losses and provisions		**-135,119**	**-58,075**	**-77,044**

6.5. Depreciation and amortization

The amortization of property, plant and equipment increased due to the acquisition of Fluxys & Co on July 1st, 2008, and the commissioning of new investments, including the extension of the Zeebrugge LNG terminal facilities. This increase has been tempered because of the prospective extension of amortization periods that was decided upon by the Board of Directors for administrative and industrial buildings and for metering, pressure-reducing and compressor stations and for furniture and equipment (see Note 1).

6.6. Impairment losses

The impairment losses on inventories are mainly due to the decrease of gas prices at the end of 2008.

6.7 Provisions for liabilities and charges

The Group's provisions as well as the 2008 changes are analyzed in detail in Notes 26 "Provisions" and 27 "Provisions for employee benefits".

NOTE 7a. PROFIT/LOSS DUE TO DISPOSAL OF FINANCIAL ASSETS

Profit/loss due to disposal of financial assets			In thousands of €
	31-12-2008	31-12-2007	Change
Profit on disposal of APX Gas Zeebrugge	1,791	0	1,791
Profit on disposal of shareholding in Endex	1,225	0	1,225
Total	**3,016**	**0**	**3,016**

The profit made on the disposal of financial assets is due to both the disposal of the shareholding in APX Gas Zeebrugge to APX BV in the first half of 2008 (see Note 3) and the disposal of the 5% shareholding in Endex to Tennet Holding BV at the end of 2008.

NOTE 7b. FINANCIAL INCOME

Financial income				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Financial income from lease contracts	7b.1	6,181	11,621	-5,440
Interest income on marketable securities, cash and cash equivalents	7b.2	10,704	11,062	-358
Income from interest swaps	7b.3	1,250	0	1,250
Expected return on pension plan assets	7b.4	6,016	5,372	644
Other financial income		249	127	122
Total		**24,400**	**28,182**	**-3,782**

7b.1. Financial income from lease contracts relates to the Interconnector Zeebrugge Terminal (IZT) and the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) transit facilities until June 30th, 2008, the date of the integration of Fluxys & Co which commercializes the capacity of these transit pipelines.

These intra-Group lease contracts were removed from the consolidated financial statements since July 1st, 2008. This change in the consolidation scope means that the Troll and RTR facilities now appear in property, plant and equipment on the balance sheet and the transit revenue from this capacity is included in revenue to cover depreciation expenses and financial expenses linked to these facilities.

7b.2. The increase in interest income on marketable securities, cash and cash equivalents is the result of the combined effect of the decrease in the average invested volume (down €23.68 million) and an improved average return (up 22 basis points). The improvement in the return reflects changes in market interest rates from January 1st to December 31st, 2008.

7b.3. Income form interest swaps related to the exchanging of part of the short-term interest rate for a long-term fixed rate in the context of the RTR finance lease contract concluded with GIE Finpipe.

7b.4. See Note 27.

NOTE 8. FINANCIAL EXPENSES

Financial expenses				In thousands of €
	Note	31-12-2008	31-12-2007	Ecarts
Borrowing interest costs	8.1	-26,151	-12,967	-13,184
Actualisation of provision	8.2	-7,969	-6,934	-1,035
Other financial expenses		-1,278	-413	-865
Subtotal		**-35,398**	**-20,314**	**-15,084**
Costs of financial instruments	8.3	-9,777	0	-9,777
Total		**-45,175**	**-20,314**	**-24,861**

8.1. Borrowing interest costs primarily include interest on the Troll and RTR finance lease contracts, loans from the European Investment Bank and short-term financing put in place to cover the Group's financial needs.

The increase in borrowing interest costs is due mainly to new loans to finance the investments and acquisitions made in the fiscal year 2008. Note also that as from April 2008 interest was charged in the income statement on the loan from the European Investment Bank to Fluxys LNG as a result of the commissioning of the capacity extension of the Zeebrugge LNG Terminal. Before that date, these financial expenses had been capitalized as intercalary interests.

The interest calculated on the tariff gains made available to CREG increased, both as the result of the increase in the amount of these gains and the average rate of interest granted.

8.2. The charges related to the actualisation of provisions rose. This change is analyzed in Note 26 "Provisions" and 27 "Provisions for employee benefits".

8.3. This item shows the cost entailed by the use and change of the fair value of instruments for hedging the currency risks incurred by the Group for its LNG ship revenue (which is in USD), as well as the IRS (Interest Rate Swaps) used in the context of the RTR finance lease contract. The cost of using these instruments amounted to €2,476 thousand, while their fair value decreased by €7,301 thousand. This change was determined compared to June 30th, 2008, the date of Fluxys' acquisition of Distrigaz & C° (now Fluxys & Co).

NOTE 9. INCOME TAX EXPENSE

Income tax expense is analyzed as follows:

Income tax expense				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Current tax		-69,172	-50,478	-18,694
Deferred tax		22,849	14,677	8,172
Total	9.1	**-46,323**	**-35,801**	**-10,522**

9.1. Income tax expense increased by €10,522 thousand compared to 2007.

This change is explained as follows:

Current tax				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Income tax on the profit for the period		**-69,259**	**-50,459**	**-18,800**
Taxes and withholding taxes due or paid		-62,903	-50,472	-12,431
Excess payment of taxes and withholding taxes (included in assets)		848	533	315
Estimated additional tax (included in liabilities)		-7,204	-520	-6,684
Adjustments to prior years' taxes		**87**	**-19**	**106**
Total	9.2	**-69,172**	**-50,478**	**-18,694**

9.2. The change in current income tax results from the increase in profit before taxes and from changes in certain provisions not recognized in IFRS. This change is slightly offset by the non-taxable gains made on financial assets.

Deferred tax				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Arising from originating or reversing temporary differences		**22,036**	**14,677**	**7,359**
Differences arising from the valuation of property, plant and equipment	9.3	14,523	15,185	-662
Differences arising from provisions	9.3	6,314	343	5,971
Other differences	9.3	1,199	-851	2,050
Arising from changes in tax rates or submissiveness to new taxes		**813**	**0**	**813**
Arising from changes in accounting policies or correction of fundamental errors		**0**	**0**	**0**
Arising from changes in fiscal status of the company or its shareholders		**0**	**0**	**0**
Total		**22,849**	**14,677**	**8,172**

9.3. Deferred tax is primarily influenced by the difference between the book value and the tax value of property, plant and equipment. The difference decreases each year following the depreciation of the related assets.

Deferred taxes were also used to cover current taxes regarding changes in provisions not recognized under IFRS.

In 2008, the item "Other differences" was influenced by the receipt of an insurance compensation which was subject to spread taxation requiring the recognition of deferred taxes.

Reconciliation of expected income tax rate and effective average income tax rate			In thousands of €
	31-12-2008	31-12-2007	Change
Income tax based on applicable tax rate – Fiscal year	**-54,118**	**-39,980**	**-14,138**
Profit before taxes	159,218	117,622	41,596
Applicable tax rate	33.99 %	33.99 %	
Reconciling items	**7,708**	**4,454**	**3,254**
Income tax rate differences between jurisdictions	1,653	1,388	265
Tax rate changes	813	0	813
Tax-exempt income	1,025	0	1,025
Non-deductible expenses	-1,250	-2,101	851
Tax losses used	0	-83	83
Over – under estimations	0	0	0
Deductible notional interest cost	5,552	5,293	259
Others	-85	-43	-42
Income tax as per average effective tax rate – Fiscal year	**-46,410**	**-35,526**	**-10,884**
Profit before taxes	159,218	117,622	41,596
Average effective tax rate	29.15 %	30.20 %	
Taxes on tax-exempt reserves	**0**	**-256**	**256**
Adjustments to prior years' taxes	**87**	**-19**	**106**
Total income tax expense	**-46,323**	**-35,801**	**-10,522**

The average effective income tax rate for 2008 amounted to 29.15% compared to 30.20% in the previous fiscal year. This decrease in the average effective income tax rate is primarily due to the non-taxable gains on financial assets, foreign tax rate changes and the decrease in dividend payouts, of which 5% is subject to corporate income tax.

NOTE 10. NET PROFIT FOR THE PERIOD

Net profit for the period			In thousands of €
	31-12-2008	31-12-2007	Change
Minority interest	1,931	4,744	-2,813
Fluxys share	110,964	77,077	33,887
Total net profit for the period	**112,895**	**81,821**	**31,074**

Net profit for the period. The consolidated net profit for the fiscal year amounts to €112,895 thousand, an increase of €31,074 thousand compared to 2007.

This change is mainly due to an increase in the results generated by the activities subject to the "Gas Law" (linked to changes in interest rates) and the commissioning of the Zeebrugge LNG Terminal extension.

NOTE 11. EARNINGS PER SHARE

Earnings per share		
Numerator (in thousands of €)	**31-12-2008**	**31-12-2007**
Net profit from continuing operations attributable to parent company shareholders	**110,964**	**77,077**
Net profit	110,964	77,077
Impact of dilutive instruments		
Diluted net profit from continuing operations attributable to parent company shareholders	**110,964**	**77,077**
Net profit / loss from discontinued operations attributable to parent company shareholders	**0**	**0**
Net profit	0	0
Impact of dilutive instruments	0	0
Diluted net profit from discontinued operations attributable to parent company shareholders	**0**	**0**
Net profit attributable to parent company shareholders	**110,964**	**77,077**
Net profit	110,964	77,077
Impact of dilutive instruments	0	0
Diluted net profit attributable to parent company shareholders	**110,964**	**77,077**

Denominator (number of shares)	31-12-2008	31-12-2007
Average number of outstanding shares	**702,636**	**702,636**
Impact of dilutive instruments	0	0
Diluted average number of outstanding shares	**702,636**	**702,636**

Earnings per share (in €)	31-12-2008	31-12-2007
Basic earnings per share from continuing operations attributable to parent company shareholders	157.9253	109.6969
Diluted earnings per share from continuing operations attributable to parent company shareholders	157.9253	109.6969
Basic earnings per share from discontinued operations attributable to parent company shareholders	0.0000	0.0000
Diluted earnings per share from discontinued operations attributable to parent company shareholders	0.0000	0.0000
Basic earnings per share attributable to parent company shareholders	157.9253	109.6969
Diluted earnings per share attributable to parent company shareholders	157.9253	109.6969

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment	Land	Buildings	Gas transmission networks *	Gas storage facilities *
Gross book value				
At December 31st, 2006	**25,538**	**89,720**	**1,713,160**	**312,046**
Investments	1,172	1,844	14,041	638
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-44	0	-684	-59
Internal transfers	0	5,724	14,878	95
Translation adjustments	0	0	0	0
At December 31st, 2007	**26,666**	**97,288**	**1,741,395**	**312,720**
Investments	1,113	70	51,413	7,523
Acquisitions through business combinations	111	240	101,675	0
Disposals and retirements	-378	-587	-6,725	0
Internal transfers	0	2,981	57,403	3,763
Translation adjustments	0	0	0	0
At December 31st, 2008	**27,512**	**99,992**	**1,945,161**	**324,006**

** Subject to the "Gas Law" (Law of April 12th, 1965 on transport of gaseaous products and others by pipeline, as subsequently amended).*

In thousands of €

LNG Terminal *	Other installations and machinery	Furniture tools and vehicles	Other property, plant and equipment	Assets under construction and installments paid	Finance leases and similar rights	Total
813,981	**155,075**	**26,292**	**233**	**179,250**	**0**	**3,315,295**
1,788	295	4,228	0	108,073	0	132,079
0	0	0	0	0	0	0
-99	0	-1,971	0	-126	0	-2,983
46	21	0	0	-20,764	0	0
0	-42	0	0	0	0	-42
					0	
815,716	**155,349**	**28,549**	**233**	**266,433**	**0**	**3,444,349**
25,679	1,915	6,307	0	104,027	0	198,047
0	0	2	76	30	392,022	494,156
0	-6,919	-528	0	-7	0	-15,144
153,621	0	0	0	-217,768	0	0
0	-111	0	0	0	0	-111
995,016	**150,234**	**34,330**	**309**	**152,715**	**392,022**	**4,121,297**

Changes in property, plant and equipment

	Land	Buildings	Gas transmission networks *	Gas storage facilities *
Depreciation and impairment losses				
At December 31st, 2006	**0**	**-59,381**	**-974,220**	**-180,901**
Depreciation charge	0	-2,006	-34,437	-7,801
Impairment losses	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	0	501	3
Internal transfers	0	0	0	0
Translation adjustments	0	0	0	0
At December 31st, 2007	**0**	**-61,387**	**-1,008,156**	**-188,699**
Depreciation charge	0	-1,473	-33,626	-7,121
Impairment losses	0	0	0	0
Acquisitions through business combinations	0	-172	-29,735	0
Disposals and retirements	0	587	3,907	0
Internal transfers	0	0	0	0
Translation adjustments	0	0	0	0
At December 31st, 2008	**0**	**-62,445**	**-1,067,610**	**-195,820**
Carrying amount at December 31st, 2008	**27,512**	**37,547**	**877,551**	**128,186**
Carrying amount at December 31st, 2007	**26,666**	**35,901**	**733,239**	**124,021**

** Subject to the "Gas Law" (Law of April 12th, 1965 on transport of gaseaous products and others by pipeline, as subsequently amended).*

In thousands of €

LNG Terminal *	Other installations and machinery	Furniture tools and vehicles	Other property, plant and equipment	Assets under construction and installments paid	Finance leases and similar rights	Total
-557,625	**-50,768**	**-20,169**	**-217**	**0**	**0**	**-1,843,281**
-9,784	-3,460	-2,484	-7	0	0	-59,979
0	0	0	0	0	0	0
0	0	0	0	0	0	0
10	0	1,957	0	0	0	2,471
0	0	0	0	0	0	0
0	25	0	0	0	0	25
-567,399	**-54,203**	**-20,696**	**-224**	**0**	**0**	**-1,900,764**
-12,805	-4,377	-2,014	-8	0	-9,138	-70,562
0	0	0	0	0	0	0
0	0	-2	-74	0	-248,611	-278,594
0	6,919	513	0	0	0	11,926
0	0	0	0	0	0	0
0	103	0	0	0	0	103
-580,204	**-51,558**	**-22,199**	**-306**	**0**	**-257,749**	**-2,237,891**
414,812	**98,676**	**12,131**	**3**	**152,715**	**134,273**	**1,883,406**
248,317	**101,146**	**7,853**	**9**	**266,433**	**0**	**1,543,585**

Changes in property, plant and equipment	Land	Buildings	Gas transmission networks *	Gas storage facilities *
Carrying amount at December 31st, 2008, including:	27,512	37,547	877,551	128,186
At cost	**27,512**	**37,547**	**877,551**	**128,186**
At revaluation	0	0	0	0
Supplementary information				
Carrying amount of assets temporarily retired from active use	112	0	0	0

** Subject to the "Gas Law" (Law of April 12th, 1965 on transport of gaseaous products and others by pipeline, as subsequently amended).*

"Property, plant and equipment" mainly includes the Group's transmission (transport and transit), storage (Loenhout and Dudzele) and terminalling (LNG terminal in Zeebrugge) facilities as well as Fluxys & Co's share in the LNG carrier.
The integration of Fluxys & Co into the consolidated accounts with effect from July 1st, 2008 led to significant scope effects for property, plant and equipment, since the rights to the Troll and RTR pipelines are no longer recognized as finance lease receivables but are now considered as property, plant and equipment (€143.4 million). Property, plant and equipment now also include the ship mentioned above.

In 2008 Fluxys Group made investments of €198,047 thousand, the most important of which were:
- continuing to enhance the capacity of the LNG Terminal in Zeebrugge (€23,774 thousand);
- construction of the compressor station in Zelzate (€19,732 thousand);
- compressor replacement at the compressor station at Weelde (€16,343 thousand);
- extension of the storage facilities at Loenhout (€29,225 thousand);
- construction of the pipeline between Brakel and Haaltert (€17,555 thousand).

To finance the investments made to enhance the capacity of the LNG terminal in Zeebrugge, the Group entered into a loan agreement in 2007 with the European Investment Bank (EIB) for €85 million. The interest on this loan was capitalized until April 1st, 2008, the date of commissioning of the facilities, yielding in an amount of €1,009 thousand.

The total investments of €198,047 thousand include internal expenditure of €10 thousand. In addition, in relation to investments currently in progress or planned, the Group has commitments under Engineering, Procurement and Construction contracts amounting to €84.2 million at December 31st, 2008.

In thousands of €

LNG Terminal *	Other installations and machinery	Furniture tools and vehicles	Other property, plant and equipment	Assets under construction and installments paid	Finance leases and similar rights	Total
414,812	98,676	12,131	3	152,715	134,273	1,883,406
414,812	**98,676**	**12,131**	**3**	**152,715**	**134,273**	**1,883,406**
0	0	0	0	0	0	0
0	0	0	0	0	0	112

The decommisioning during this period mainly concerns the unusable pipelines.

The depreciation charge for the period amounts to €70,562 thousand and reflects the rate at which the Group expects to consume the economic benefits of the assets.

The assets used within the regulated market, are depreciated over the useful life period, as mentioned in point 8 of the accounting principles, without taking into account a residual value, regarding the specificity of the sector's activities.

The depreciation rate of certain regulated facilities was prospectively revised from January 1st, 2008. The service lives were made compliant with the Royal Decree on tariffs of June 8th, 2007. The reader is referred to Note 1d. for further details.

Other non-current assets are depreciated over their useful life as estimated by the Group, taking into account actual and potential contracts, and considering reasonable market assumptions; the matching principle is applied to establish a link between costs and revenues. Given the specificities of the activities concerned, any residual value on the facilities in question has been ignored.

At the balance sheet date the Group does not hold any property, plant and equipment assets which have been pledged against borrowings.

The Group wishes to emphasize that no indications existed at the balance sheet date of any impairment of property, plant and equipment.

NOTE 13. INTANGIBLE ASSETS

Change in the carrying value of intangible assets			In thousands of €
	Application software	CO_2 emission rights	Total
Gross book value			
At December 31st, 2006, of which:	**27,508**	**0**	**27,508**
Internally developed software	17,928	0	17,928
Software purchased from third parties	9,580	0	9,580
Investments, of which :	7,337	0	7,337
Internally developed	7,226	0	7,226
Purchased from third parties	111	0	111
Through business combinations	0	0	0
Disposals and retirements	-1,265	0	-1,265
Translation adjustments			0
Changes in consolidation scope			0
Others			0
At December 31st, 2007, of which:	**33,580**	**0**	**33,580**
Internally developed software	25,154	0	25,154
Software purchased from third parties	8,426	0	8,426
Investments, of which :	11,206	0	11,206
Internally developed	11,142	0	11,142
Purchased from third parties	64	0	64
Through business combinations	0	0	0
Disposals and retirements	-147	0	-147
Translation adjustments			0
Changes in consolidation scope	-350		-350
Others			0
Au December 31st, 2008, of which:	**44,289**	**0**	**44,289**
Internally developed software	36,296	0	36,296
Software purchased from third parties	7,993	0	7,993

			In thousands of €
	Application software	CO_2 emission rights	Total
Depreciation and impairment losses			
At December 31st, 2006, of which:	**-14,740**	**0**	**-14,740**
Internally developed software	-7,885	0	-7,885
Software purchased from third parties	-6,855	0	-6,855
Depreciation charge	-5,926	0	-5,926
Disposals and retirements	1,265	0	1,265
Translation adjustments	0	0	0
Changes in consolidation scope	0	0	0
Others	0	0	0
At December 31st, 2007, of which:	**-19,401**	**0**	**-19,401**
Internally developed software	-13,010	0	-13,010
Software purchased from third parties	-6,391	0	-6,391
Depreciation charge	-7,689	0	-7,689
Disposals and retirements	0	0	0
Translation adjustments	0	0	0
Changes in consolidation scope	350	0	350
Others	0	0	0
At December 31st, 2008, of which:	**-26,740**	**0**	**-26,740**
Internally developed software	-20,668	0	-20,668
Software purchased from third parties	-6,072	0	-6,072

			In thousands of €
	Application software	CO_2 emission rights	Total
Carrying amount at December 31st, 2007	**14,179**	**0**	**14,179**
Internally developed software	12,144	0	12,144
Software purchased from third parties	2,035	0	2,035
Carrying amount at December 31st, 2008	**17,549**	**0**	**17,549**
Internally developed software	15,628	0	15,628
Software purchased from third parties	1,921	0	1,921

Intangible assets consist exclusively of the carrying amount of investment software developed or purchased by the Group. This software is amortized over 5 years on a straight-line basis.

Major investments during the fiscal year concern software developed in relation to gas flow management and related administrative resources.

The gas transmission facilities in Belgium are included in the scheme for greenhouse gas emission allowance trading. Accordingly, Fluxys Group was given free CO_2 emission rights amounting to 294,288 tons of CO_2 for the Berneau, Winksele, Weelde, Dudzele, Loenhout and Zeebrugge sites in 2008. The value of the unused rights amounted to €792 thousand at December 31st, 2008, which corresponds to 99,035 tons of CO_2. In accordance with the accounting policies stated in Note 2, unused emission rights granted free of charge have been recognized at nil value in the assets.

The Group wishes to emphasize that there were no indications at the balance sheet date of any impairment of intangible assets.

NOTE 14. GOODWILL

Goodwill	In thousands of €	
	31-12-2008	31-12-2007
Fluxys & Co	402,638	0
Segeo	4,890	0
Fluxys LNG	0	312
GMSL	3,230	4,195
Total	**410,758**	**4,507**

Change in goodwill carrying amount			In thousands of €
	Gross book value	Accumulated impairment losses	Carrying amount
At December 31st, 2006	**5,580**	**-446**	**5,134**
Acquisitions			0
Disposals			0
Impairment losses		-240	-240
Translation adjustments	-387		-387
Others			0
At December 31st, 2007	**5,193**	**-686**	**4,507**
Acquisitions	407,528		407,528
Disposals and retirements	-998	998	0
Impairment losses		-312	-312
Translation adjustments	-965		-965
Others			0
At December 31st, 2008	**410,758**	**0**	**410,758**

The translation adjustments for an amount of €-965 thousand arise from the valuation of the GMSL goodwill in GBP.

On December 31st, 2008, goodwill relates to the acquisition in 2008 of 100% of the subsidiary Fluxys & Co, the purchase in 2008 of the 25% shareholding held by GDF in the subsidiary SEGEO and the acquisition in 2002 of 100% of the GMSL subsidiary.

Due to the considerable uncertainty of the regulatory situation, as detailed in the foreword to the directors' report, the initial cost of the Fluxys & Co and SEGEO business combination has been determined on a provisional basis only.

The cost of these business combinations was determined based on the fair value of the identifiable assets and liabilities of Fluxys & Co and SEGEO on the acquisition date, July 1st, 2008.

Accordingly, an amount of €58.8 million was allocated to the 49% share in the LNG ship and to the financial instruments of Fluxys & Co.

The provisionally unallocated balance, which mainly relates to transport/transit activities, is recorded in goodwill.

For the Fluxys & Co transit activities the value included in the business combination cost amounts to the contractual value of €350 million.

It should be noted that the price paid for the acquisition of Fluxys & Co may be increased until 2015 if, after all avenues of appeal have been exhausted, legislative, regulatory or judicial decisions were to show that the transit activities were worth more than the contractual value of €350 million. In the event of a long-term loss for the same reasons before that time, any impairment would be offset by compensation for the appropriate amount from Publigas and SUEZ-Tractebel, which have granted Fluxys a unilateral guarantee of €250 million for this purpose.

NOTE 15. INVESTMENTS IN ASSOCIATES

Fluxys Group had no investments in associates at the balance sheet date.

NOTE 16. OTHER FINANCIAL ASSETS

Other financial assets			In thousands of €
	Note	31-12-2008	31-12-2007
Shares at cost	16.1	2,983	388
Other financial assets at cost	16.2	6	6
Total		**2,989**	**394**

Change in other financial assets – Shares at cost		In thousands of €
	31-12-2008	31-12-2007
Opening balance	**388**	**388**
Gross value	419	419
Uncalled amounts	-31	-31
Accumulated impairment losses	0	0
Acquisitions	2,939	0
Disposals	-344	0
Change in ownership percentage	0	0
Translation adjustments	0	0
Capital increase	0	0
Closing balance	**2,983**	**388**
Gross value	3,014	419
Uncalled amounts	-31	-31
Accumulated impairment losses	0	0

16.1. Other financial assets include shares held by Fluxys Group in Belgian Pipe Control SA (25%)[1], APX BV (3.84%), C4GAS SA (5%) and Transfin SA (0.2%). Since these entities operate in segments in which Fluxys Group has a business interest, these shares are held as a long-term investment. However, Fluxys Group neither has control of nor exercises significant influence over these entities. Due to the lack of an active market, these shares are stated at acquisition cost.

The total for acquisitions (€2,939 thousand) reflects the purchase of a shareholding of a bit less than 4% in APX BV. Disposals (€-344 thousand) refer to the sale to Tennet Holding BV of our 5% shareholding in Endex – a sale made to partially offset the cost of buying the shareholding in APX BV.

(1) BPC SA is not accounted for under the equity method due to its immaterial impact on the consolidated financial statements.

Change in other financial assets – other financial assets at cost	In thousands of €	
	31-12-2008	31-12-2007
Opening balance	**6**	**9**
Gross value	6	9
Accumulated impairment losses	0	0
Additions	0	0
Redemptions	0	-3
Translation adjustments	0	0
Others	0	0
Closing balance	**6**	**6**
Gross value	6	6
Accumulated impairment losses	0	0

16.2. Other financial assets at cost consist of VAT and rental deposits paid.

NOTE 17. FINANCE LEASE RECEIVABLES

Finance lease receivables			In thousands of €
	31-12-2008	31-12-2007	Change
Non-current receivables	30,486	165,853	-135.367
Current receivables	1,093	19,107	-18.014
Total	**31,579**	**184,960**	**-153.381**

Finance lease receivables include contracts related to the Interconnector Zeebrugge Terminal (IZT): in accordance with IAS 17, the lease contract signed with IZT SCRL for IZT has been accounted for as a finance lease. The contract has a minimum duration of 20 years, at the end of which the lessee can exercise a purchase option. A variable interest rate (based on Euribor) is applied to this receivable.

In accordance with IFRIC 4 and IAS 17, "transit services" contracts signed with Distrigas & C° for the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) transit facilities were accounted for as finance leases until June 30th, 2008. With the integration of Distrigaz & C° (now Fluxys & Co) which commercializes the capacity of these transit pipelines, these lease contracts became intra-Group operations, meaning that they no longer appear in the consolidated financial statements since July 1st, 2008. Instead, the Troll and RTR facilities are now recognized as property, plant and equipment in the assets section of the balance sheet. This explains the decrease in finance lease receivables in 2008.

Maturity of finance lease receivables				In thousands of €
		31-12-2008		
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease receivables	1,093	7,635	22,851	31,579
Total	**1,093**	**7,635**	**22,851**	**31,579**
Finance lease receivables:				
Present value of minimum lease payments at market rate	2,083	11,100	25,358	38,541
Total minimum lease payments	2,083	11,100	25,358	38,541
Interest	990	3,465	2,507	6,962

Maturity of finance lease receivables				In thousands of €
		31-12-2007		
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease receivables	19,107	83,530	82,323	184,960
Total	**19,107**	**83,530**	**82,323**	**184,960**
Finance lease receivables:				
Present value of minimum lease payments at market rate	28,564	98,903	73,327	200,794
Total minimum lease payments	29,819	114,010	96,919	240,748
Interest	10,712	30,480	14,596	55,788

The total value of minimum lease payments corresponds to the best estimate, at the balance sheet date, of the lease payments to be received regardless of whether they relate to the capital to be received (finance lease receivables), interest to be received (interest), or the purchase option (finance lease receivables). These payments are discounted at market rate so as to obtain the present value of the minimum lease payments.

NOTE 18. OTHER NON-CURRENT ASSETS

In thousands of €	31-12-2008	31-12-2007	Change
Other receivables	228	529	-301
Total	**228**	**529**	**-301**

Other non-current assets consist of the amounts receivable from the association in participation SNTC (Société Nationale de Transport par Canalisations)/Fluxys (€228 thousand).

Previously, other non-current assets featured long-term advances to APX Gas Zeebrugge in 2007. This company was sold at the start of 2008.

Maturity of other non-current assets		In thousands of €	
	31-12-2008		
	Between 1 and 5 years	More than 5 years	Total
Other receivables	57	171	228
Total	**57**	**171**	**228**

	31-12-2007		
	Between 1 and 5 years	More than 5 years	Total
Other receivables	472	57	529
Total	**472**	**57**	**529**

NOTE 19. INVENTORIES

Inventories			In thousands of €
	31-12-2008	31-12-2007	Change
Supplies and consumables	**49,174**	**23,504**	**25,670**
Gross book value	55,314	29,429	25,885
Impairment losses	-6,140	-5,925	-215
Goods held for resale	**18,492**	**9,742**	**8,750**
Gross book value	21,094	9,742	11,352
Impairment losses	-2,602	0	-2,602
Contracts in progress	**315**	**734**	**-419**
Gross book value	315	734	-419
Impairment losses	0	0	0
Total	**67,981**	**33,980**	**34,001**

Inventories increased overall by €34,001 thousand, mainly due to the purchase of materials for network construction, maintenance and repair activities (up €25,670 thousand), and also to the increase in demand for operational gas (up €8,750 thousand including €2,835 thousand attributable to changes in the purchase price). The increase in gas inventories reflects the policy of increasing the operational flexibility needed for balancing the transmission network.

Inventories – Impact of changes on net profit			In thousands of €
	31-12-2008	31-12-2007	Change
Inventories – purchased or used	36,818	11,769	25,049
Impairment loss recognition	-2,817	0	-2,817
Impairment loss reversal	0	479	-479
Total	**34,001**	**12,248**	**21,753**

NOTE 20. INCOME TAX RECEIVABLE

Income tax receivable				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Recoverable taxes and duties		26,125	891	25,234
Total	20.1	**26,125**	**891**	**25,234**

20.1. Income tax receivable includes recoverable taxes and duties. The main reason for the increase in this section is excess tax prepayments made by Fluxys & Co in April 2008.

NOTE 21. TRADE AND OTHER RECEIVABLES

Trade and other receivables			In thousands of €
	31-12-2008	31-12-2007	Change
Net trade receivables	25,266	46,135	-20,869
Interest-bearing receivables	0	0	0
Other receivables	6,513	5,664	849
Total	**31,779**	**51,799**	**-20,020**

'Trade receivables' account for the largest portion of this amount and are made up of various receivables such as recoverable withholding taxes and VAT. The 'trade receivables' decreased thanks to payments made on time by our customers at the end of 2008, compared to 2007.

The Fluxys Group-reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers (payment within 30 days), a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position.

Trade receivables can be broken down as follows according to their ageing:

Net trade receivables: ageing balance			In thousands of €
	31-12-2008	31-12-2007	Change
Assets < 3 months	25,043	42,680	-17,637
Assets 3 - 6 months	15	2,563	-2,548
Assets 6 - 12 months	186	889	-703
Assets in litigation or doubtful	22	3	19
Total	**25,266**	**46,135**	**-20,869**

NOTE 22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are deposits that mature in less than 3 months at the date of acquisition.

These mainly consist of investments in commercial paper, term deposits at financial institutions, bank balances and cash in hand.

Cash and cash equivalents			In thousands of €
	31-12-2008	31-12-2007	Change
Cash equivalents	99,654	156,686	-57,032
Short-term deposits	62,214	54,954	7,260
Bank balances	4,782	7,851	-3,069
Cash in hand	8	9	-1
Total	**166,658**	**219,500**	**-52,842**

In 2008, the average rate of return on cash and cash equivalents was 4.28%, compared to 4.06% in 2007. The average capital invested in 2008 amounted to €240.96 million, compared to €264.64 million in 2007.

NOTE 23. OTHER CURRENT ASSETS

Other current assets			In thousands of €
	31-12-2008	31-12-2007	Change
Accrued income	2,646	1,734	912
Deferred charges	4,598	13,583	-8,985
Total	**7,244**	**15,317**	**-8,073**

Other current assets mainly comprise prepaid expenses of €4,598 thousand (insurance, rent, etc.), the balance being various accrued income items.

NOTE 24. EQUITY

Equity attributable to equity holders of the parent company amounted to €1,268,834 thousand at December 31st, 2008. The €51,783 thousand increase on last year's figures results from the net profit of the year attributable to equity holders of the parent company (€110,964 thousand), minus gains and losses directly recognized in equity (- €16,374 thousand) and the 2008 dividend distribution (- €42,861 thousand) approved by the General Assembly of Fluxys SA.

Minority interests decreased by €2,919 thousand due to the fact that the dividend distributed in 2008 amounted to €4,769 thousand, which is higher than the share of the minority interests in the profit for the period, which came to €1,931 thousand.

Total dividends for the period amount to €47,630 thousand.

Note on parent company shareholding

	Ordinary shares	Preferred shares	TOTAL
I. CHANGES IN NUMBER OF SHARES			
1. Number of shares, opening balance	702,636	0	**702,636**
2. Shares issued			**0**
3. Cancelled or written down ordinary shares (-)			**0**
4. Redeemed, converted or written down preferred shares (-)			**0**
5. Other increase (decrease)			**0**
6. Number of shares, closing balance	702,636	0	**702,636**
II. OTHER INFORMATION			
1. Share par value	Not specified		
2. Number of own shares	0	0	**0**

The share capital of Fluxys SA remained unchanged in 2008. It is represented by 702,636 shares without specification of nominal value recorded under 5 categories:

A, B and C shares are and remain registered. They are held by long-term shareholders.

Category D shares are either registered or bearer shares and are mainly held by the general public.

The Belgian State owns one specific registered share, namely share no.1. In addition to the common rights attached to all other company shares, this share also carries specific rights pursuant to Royal Decree of June 16th, 1994, amended by the laws of April 29th, 1999 and June 26th, 2002, and the transposition of these laws into the articles of association of the company.

These specific rights are exercised by the Federal Minister responsible for energy.

As part of the merger between Gaz de France and SUEZ, SUEZ pledged to the European Commission that it would reduce its stake in Fluxys to less than 45%. This led to Publigas acquiring 87,804 shares (equivalent to 12.5% of Fluxys' capital) in Fluxys in 2008.

Following this transaction, SUEZ-Tractebel has a 44.75% stake in Fluxys, while Publigas' stake in Fluxys is 45.22%.

Statement of changes in consolidated equity

	Share capital	Share premiums
I. CLOSING BALANCE AT DECEMBER 31ST, 2006	**60,272**	**38**
1. Changes from previous fiscal year	**0**	**0**
1.1. Changes in accounting methods affecting equity		
1.2. Errors affecting equity		
II. AMENDED CLOSING BALANCE AT DECEMBER 31ST, 2006	**60,272**	**38**
1. Result for the fiscal year		
2. Gains and losses directly recognized in equity		
3. Dividends distributed		
4. Changes in scope		
5. Other changes		
III. CLOSING BALANCE AT DECEMBER 31ST, 2007	**60,272**	**38**
1. Changes from previous fiscal year	**0**	**0**
1.1. Changes in accounting methods affecting equity		
1.2. Errors affecting equity		
IV. AMENDED CLOSING BALANCE AT DECEMBER 31ST, 2007	**60,272**	**38**
1. Result for the fiscal year		
2. Gains and losses directly recognized in equity		
3. Dividends distributed		
4. Changes in scope		
5. Other changes		
V. CLOSING BALANCE AT DECEMBER 31ST, 2008	**60,272**	**38**

In thousands of €

Undistributed results	Translation adjustment	Own shares	Equity attributable to equity holders of the parent company	Minority interest	Total equity
1,150,280	**70**	**0**	**1,210,660**	**23,191**	**1,233,851**
0	**0**	**0**	**0**	**0**	**0**
			0		0
			0		0
1,150,280	**70**	**0**	**1,210,660**	**23,191**	**1,233,851**
77,077			77,077	4,744	81,821
3,697	-604		3,093	9	3,102
-73,779			-73,779	-5,348	-79,127
			0		0
			0		0
1,157,275	**-534**	**0**	**1,217,051**	**22,596**	**1,239,647**
0	**0**	**0**	**0**	**0**	**0**
			0		0
			0		0
1,157,275	**-534**	**0**	**1,217,051**	**22,596**	**1,239,647**
110,964			110,964	1,931	112,895
-15,178	-1,196		-16,374	-27	-16,401
-42,861			-42,861	-4,769	-47,630
			0	0	0
54			54	-54	0
1,210,254	**-1,730**	**0**	**1,268,834**	**19,677**	**1,288,511**

NOTE 25. INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Finance lease contracts	25.1	118,599	137,419	-18,820
Other loans	25.2	349,785	82,913	266,872
Other liabilities	25.3	65,773	82,880	-17,107
Total		**534,157**	**303,212**	**230,945**

Current interest-bearing liabilities				In thousands of €
	Note	31-12-2008	31-12-2007	Change
Finance lease contracts	25.1	18,819	18,275	544
Other borrowings	25.2	81,823	9,690	72,133
Other liabilities	25.3	85,858	20,308	65,550
Total		**186,500**	**48,273**	**138,227**

25.1. Finance lease liabilities include contracts related to:

the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) transit facilities, under IAS 17, the lease contracts signed with GIE Finpipe in relation to the Troll and RTR facilities are accounted for as finance leases. These contracts have 20 and 17 year terms, respectively, after which Fluxys can exercise a purchase option.

25.2. Other borrowings include

- a € denominated loan amounting to €2,975 thousand bearing interest at 3.875% per annum (falling due in 2011).
- a ten-year loan amounting to €76,500 thousand at a fixed annual interest rate of 4.747% contracted in August 2007 with the European Investment Bank (EIB) for financing the capacity reinforcement at the Zeebrugge LNG terminal.
- a 25-year loan of €280,000 thousand at a fixed rate of 4.06% contracted with the EIB in December 2008 to finance investments in developing the gas transmission grid.
- commercial paper to a value of €70,310 thousand for covering one-off cash requirements.
- pro rata interest amounting to €1,823 thousand.

25.3. The tariff surplus included in 'Other liabilities' consist of the positive difference between the acquired regulated tariff and the invoced one (see Note 4). The tariff surplus that will be acquired within more than 1 year is recorded under non-current liabilities, while those that will be acquired within the year are listed as current liabilities. These amounts carry interest at 'Euribor 1 year rate.

'Other current liabilities' also covers contested amounts relating to CREG decisions as regards how costs should be distributed between activities. Given that no final legal verdict had been issued when the statement of accounts was being drawn up, and although it has formally contested CREG's decisions, the Fluxys group decided as a precautionary measure, to incorporate the results of CREG's decisions into its financial statements for 2008.

Maturity of interest bearing liabilities				In thousands of €
	31-12-2008			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease contracts	18,819	84,843	33,756	137,418
Other borrowings	81,823	35,785	314,000	431,608
Other liabilities	85,858	65,773	0	151,631
Total	**186,500**	**186,401**	**347,756**	**720,657**
Supplementary information				
Finance lease receivables :				
Present value of minimum lease payments at market rate	25,563	88,288	25,397	139,248
Total minimum lease payments	26,815	103,757	35,793	166,365
Interest	7,996	18,914	2,037	28,947

Maturity of interest bearing liabilities				In thousands of €
	31-12-2007			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease contracts	18,275	89,907	47,512	155,694
Other borrowings	9,690	40,413	42,500	92,603
Other liabilities	20,308	82,880	0	103,188
Total	**48,273**	**213,200**	**90,012**	**351,485**
Supplementary information				
Finance lease receivables :				
Present value of minimum lease payments at market rate	26,151	96,837	36,181	159,169
Total minimum lease payments	27,406	114,714	51,652	193,772
Interest	9,131	24,807	4,140	38,078

The minimum lease payments' total value corresponds to the best estimate, at the balance date, of the lease payments to be paid regardless of whether they relate to the capital to be refunded (finance lease contracts), the interests to be paid (interests), or the purchase option (finance lease contracts). These payments are then discounted at market rate so as to obtain the present value of the minimum lease payments.

NOTE 26. PROVISIONS

26.1. Provisions (except employee benefits)

Provisions for:			In thousands of €
	Provisions for litigation and claims	Environment and site restoration	Total (excluding employee benefits)
Provisions at December 31st, 2007	**9,190**	**20,097**	**29,287**
Additions	54,516		**54,516**
Increases resulting from business combinations	35,457		**35,457**
Use		-247	**-247**
Reversals			**0**
Unwinding of the discount		14	**14**
Expected return			**0**
Actuarial gains and losses directly recognized in equity			**0**
Provisions at December 31st, 2008	**99,163**	**19,864**	**119,027**
of which :			
Non-current provisions	7,058	16,483	**23,541**
Current provisions	92,105	3,381	**95,486**

The increase in provisions in 2008 is due to the additions recognized following CREG's decision on the applicable transit tariff and the interpretation of transit contracts falling into the regulatory scope.

May 15th 2008, CREG published a decision on transit tariffs for the first time. This decision would have led to a significant loss of income for our transit activities.

The Royal Decree of 27 May 2008 suspended this decision. Nevertheless, CREG confirmed its first decision on transit on 6 June 2008 and also handed down a decision setting interim transport and storage tariffs that were 17% lower than initial interim tariffs, leading to a loss of income for these activities too.

After examining CREG's decisions, Fluxys was unable to agree with certain of the CREG's analyses, which it deemed to be incorrect. The company therefore decided to lodge an appeal against these decisions at the Court of Appeal and continue applying, with reservation, current tariffs.

As regards transit activities, the Court of Appeal handed down on 10 November 2008 a judgment that deferred the contested decisions. This is a temporary decision and must be confirmed by a final judgment.

While awaiting this confirmation and given that no final judgment had been issued when the statement of accounts was being drawn up, although it has formally contested CREG's decisions, the Fluxys Group has decided, as a precautionary measure, to incorporate the results of CREG's decisions into its financial statements for 2008.

The income that is currently disputed falls under the aforementioned provision by impacting the income statement.

This addition charged to the income statement amounts to €49.1 million. The provision for the 1st half of 2008, which is linked to Troll and RTR transit activities (€35.5 million) has been included in the Group's financial statements as an effect of the business combination, while Fluxys & Co has been part of the Group since July 1st, 2008.

Most of the other additions - amounting to €5.4 million – concern provisions for litigation, particularly the Ghislenghien case.

26.2. Provisions for employee benefits

Provisions for employee benefits	In thousands of €
Provisions at December 31st, 2007	**52,552**
Additions	6,205
Use	-6,746
Reversals	0
Unwinding of the discount	7,955
Expected return on plan assets	-6,016
Actuarial gains / losses directly recognized in equity	23,035
Provisions at December 31st, 2008	**76,985**
of which :	
Non-current provisions	72,196
Current provisions	4,789

The increase in provisions for employee benefits is mainly due to the decrease in the value of the plan assets constituted through pension funds and insurance companies, which was in turn caused by the decline on the financial markets.

In accordance with the Group's accounting principles, this did not affect the income statement but had a direct impact on the consolidated equity.

26.3. Movements in the income statement and maturity of provisions

Provision movements in the income statement can be broken down as follows:

Impact in € thousands	Additions	Use and reversals	Total
Operating result	60,721	-6,993	53,728
Financial result	7,969	-6,016	1,953
Total	**68,690**	**-13,009**	**55,681**

Maturity of provisions				In thousands of €
	31-12-2008			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Litigations and claims	92,105	0	7,058	99,163
Environment and site restoration	3,381	16,483	0	19,864
Subtotal	**95,486**	**16,483**	**7,058**	**119,027**
Employee benefits	4,789	19,157	53,039	76,985
Total	**100,275**	**35,640**	**60,097**	**196,012**

Maturity of provisions				In thousands of €
	31-12-2007			
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Litigations and claims	2,223	0	6,967	9,190
Environment and site restoration	4,587	7,546	7,964	20,097
Subtotal	**6,810**	**7,546**	**14,931**	**29,287**
Employee benefits	3,125	16,226	33,201	52,552
Total	**9,935**	**23,772**	**48,132**	**81,839**

Discount rate

Long-term provisions are discounted based on interest rates that have changed as follows:

	31-12-2008	31-12-2007
Between 1 and 5 years	4.40 %	4.80 %
Between 6 and 10 years	4.90 %	5.00 %
More than 10 years	5.30 %	5.40 %

Provisions for litigations and claims

These provisions have been made to cover potential litigation payments arising for instance from the collapse of the Vivegnis bridge (1985) and the construction of the LNG terminal in Zeebrugge (1983), as well as to cover the estimated uninsured risks for the Fluxys Group in respect of accidents, mainly Ghislenghien (2004). Developments in the Ghislenghien case have been commented on in the management report. There have been no significant developments in any of the other cases. The considerable increase in provisions in 2008 is due to the creation of provisions covering the regulatory risk Fluxys incurs with regard to appeals lodged with the relevant courts.

The estimate for these provisions is based on the value of claims filed or on the estimated amount of the risk exposure.

Provisions for environment and site restoration

These provisions essentially concern obligations for safety, clean-up and restoration of sites in the process of closing, as well as actions to be implemented for pipelines out of use and other environmental measures.

These provisions are accrued in accordance with the Belgian regional environmental law and the Belgian "Gas Law". The obligations covered by these provisions require action plans and numerous studies in cooperation with different public entities and institutions.

Provisions for employee benefits

See Note 27.

NOTE 27. PROVISIONS FOR EMPLOYEE BENEFITS

Description of the principal retirement schemes and related benefits

In Belgium collective agreements regulate the rights of company employees in the Electricity and Gas industries.

These agreements cover statutory personnel recruited before June 1st, 2002 and management personnel recruited before May 1st, 1999. They provide the beneficiaries with lump sum pension benefits that vary according to their final annual pay and the number of years of service upon retirement. These retirement schemes are referred to as defined benefit pension plans.

Obligations under these defined benefit pension plans are funded with a number of pension funds for the Electricity and Gas industries and with insurance companies.

Employees and employers contribute to these pension plans. The employer's contribution is determined annually on the basis of an actuarial report. This is to ensure that the minimum legal funding requirements have been met and that the long-term funding of the benefits is assured.

Statutory personnel recruited after June 1st, 2002, management staff recruited after May 1st, 1999 and executives dispose of defined contribution pension plans. For payments made after January 1st, 2004, the law requires an average annual return over the career of at least 3.25% for employer's contributions and at least 3.75% for employees' contributions, with any deficit being covered by the employer. Given that the actual return on plan assets has been close to the guaranteed minimum return since 2004, no provision has been made to cover any deficit. The employer's contributions for these retirement schemes paid in 2008 amounted to €2,030 thousand. The cumulative amount of these contributions, increased by the actual return on plan assets, amounts to €9,183 thousand at December 31st, 2008.

Fluxys Group also has early pension schemes, other post-employment benefits such as repayment of medical expenses and price subsidies, as well as other long term benefits (seniority payments). These benefits are not all pre financed.

Pension and other benefit obligations of the Fluxys Group:						In thousands of €
	31-12-2008			31-12-2007		
	Pensions	Other benefits	Total	Pensions	Other benefits	Total
Movements in defined benefit obligation						
Defined benefit obligation at beginning of year	-134,026	-32,317	-166,343	-140,658	-38,890	-179,548
Service costs	-5,437	-1,309	-6,746	-4,892	-1,509	-6,401
Interest costs	-6,735	-1,618	-8,353	-5,902	-1,576	-7,478
Participants' contributions	-248	0	-248	-238	0	-238
Actuarial gains and losses	-204	553	349	6,677	8,258	14,935
Benefits paid	6,084	1,449	7,533	12,831	1,400	14,231
Past service costs	0	0	0	-7,174	0	-7,174
Curtailments	0	0	0	0	0	0
Settlements	0	0	0	5,330	0	5,330
Other	0	0	0	0	0	0
Defined benefit obligation at end of year	**-140,566**	**-33,242**	**-173,808**	**-134,026**	**-32,317**	**-166,343**
Fully or partially funded	-129,381	0	-129,381	-121,762	0	-121,762
Not funded	-11,185	-33,242	-44,427	-12,264	-32,317	-44,581
Movements in plan assets						
Fair value of plan assets at beginning of year	113,791	0	113,791	124,289	0	124,289
Expected return on plan assets	6,016	0	6,016	5,372	0	5,372
Actuarial gains and losses	-22,984	0	-22,984	-3,802	0	-3,802
Employer's contributions	5,836	1,449	7,285	5,364	1,400	6,764
Participants' contributions	248	0	248	238	0	238
Benefits paid	-6,084	-1,449	-7,533	-12,831	-1,400	-14,231
Settlements	0	0	0	-4,839	0	-4,839
Other	0	0	0	0	0	0
Fair value of plan assets at end of year	**96,823**	**0**	**96,823**	**113,791**	**0**	**113,791**
Actual return on plan assets	-16,968	0	-16,968	1,569	0	1,569
Defined benefit obligation	-140,566	-33,242	-173,808	-134,026	-32,317	-166,343
Fair value of plan assets	96,823	0	96,823	113,791	0	113,791
Deficit or surplus	**-43,743**	**-33,242**	**-76,985**	**-20,235**	**-32,317**	**-52,552**
Unrecognized actuarial gains and losses	0	0	0	0	0	0
Unrecognized past service costs	0	0	0	0	0	0
Asset ceiling	0	0	0	0	0	0
Net liability	**-43,743**	**-33,242**	**-76,985**	**-20,235**	**-32,317**	**-52,552**

The cost for the fiscal year related to pensions and other benefits can be broken down as follows:

	31-12-2008	31-12-2007
In thousands of €	**Total**	**Total**
Cost of the period		
Service costs	-6,746	-6,401
Interest costs	-8,353	-7,478
Expected return on plan assets	6,016	5,372
Actuarial gains and losses	398	5,518
Past service costs	0	-7,174
Profit or loss on curtailments and settlements	0	491
Asset ceiling	0	0
Total	**-8,685**	**-9,672**

Service costs for the year are recorded as personnel costs and net additions to the provisions. Interest costs are recorded as financial expense while the expected return on plan assets is taken to financial income.

At December 31st, 2008 the cumulative losses directly recognized in equity and related deferred taxes amounted to €15,534 thousand compared to cumulative gains of €7,501 thousand at the end of 2007, which represents a decrease of €23,035 thousand for the fiscal year.

The plan assets by principal asset categories are as follows:

In %	31-12-2008	31-12-2007
Shares	30 %	34 %
Bonds	41 %	40 %
Property	9 %	9 %
Other (including monetary assets)	20 %	17 %
Total	**100 %**	**100 %**

Actuarial assumptions

The actuarial assumptions for the Fluxys Group have been determined with qualified actuaries. Key assumptions are:

Key actuarial assumptions				in %
	31-12-2008		31-12-2007	
	Pensions	Other obligations	Pensions	Other obligations
Discount rate	5.20 %	5.20 %	4.90 %	4.90 %
Expected return on plan assets	5.30 %	-	4.75 %	-
Expected salary increase	4.20 %	4.20 %	3.90 %	3.90 %
Medical cost increase	-	3.20 %	-	2.90 %

The expected return on plan assets is determined by asset category: each asset category has its own estimated rate of return.

The impact of a change of 1% on medical costs amounts to:

	Increase of 1%	Decrease of 1%
Aggregate of the service cost and interest cost	-212	159
Defined benefit obligation	-2,284	1,786

The following table shows experience adjustments to actuarial gains and losses:

Change over 5 periods					
	2008	2007	2006	2005	2004
Defined benefit obligation	-173,808	-166,343	-179,548	-185,931	-166,691
Fair value of plan assets	96,823	113,791	124,289	117,428	105,524
Deficit or surplus	-76,985	-52,552	-55,259	-68,503	-61,167
Experience adjustments resulting from:					
Defined benefit obligation	5,044	-1,196	820	352	
Plan assets	-22,984	-1,512	6,812	5,966	

The Group expects to contribute €7,421 thousand to its defined benefit pension plans in 2009.

NOTE 28. DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets			In thousands of €
	31-12-2008	31-12-2007	Change
Recoverable tax losses	0	9	-9
Fiscal deduction for investment	0	0	0
Total	**0**	**9**	**-9**

Recognized deferred tax liabilities			In thousands of €
	31-12-2008	31-12-2007	Change
Valuation of property, plant and equipment	317,518	309,010	8,508
Depreciation	0	0	0
Income to be received	5,807	5,639	168
Fair value of financial instruments	3,946	0	3,946
Tax credits	0	0	0
Provisions for employee benefits or provisions not accounted for under IFRS	8,972	23,927	-14,955
Other normative differences	1,342	-604	1,946
Total	**337,585**	**337,972**	**-387**

Deferred tax assets and liabilities are offset within each taxable entity.

The main source of deferred tax is the difference between the book base and the tax base of property, plant and equipment. This difference arises from the recognition in the opening balance sheet of property, plant and equipment at their fair value corresponding to their deemed cost. Following the business combination on July 1st, 2008, a share of the cost of integrating Fluxys & Co was allocated to the LNG ship, which led to the recognition of deferred tax (€23,030 thousand).

Provisions made in accordance with IFRS 19 'Employee benefits' and provisions recognized under Belgian standards but not accounted for under IFRS are another major source of deferred tax. The difference between 2008 and 2007 figures is mainly due to the decrease in provisions not accounted for under IFRS (- €8,089 thousand) and the increase in provisions for employee benefits (€8,305 thousand). This rise in provisions for employee benefits mainly results from a drop in the value of the plan assets built up through the pension fund and insurance companies, which was in turn caused by the decline of the financial markets. In accordance with the group's accounting principles, this phenomenon has not affected the results, though it has had a direct effect on equity and deferred taxes.

The recognition of IRS financial instruments and currency swaps held by Fluxys & Co at fair value led to the recognition of deferred tax to the value of €3,946 thousand at December 31st, 2008.

All deferred tax assets and liabilities are recognized, except for deferred taxes on the undistributed earnings of subsidiaries. Fluxys' share in the unrecognized deferred tax liabilities of SEGEO, Fluxys LNG, Huberator, Fluxys & Co and GMSL is estimated at €10,356 thousand.

NOTE 29. INCOME TAX PAYABLE

Income tax payable			In thousands of €
	31-12-2008	31-12-2007	Change
Income tax payable	8,361	1,270	7,091
Total	**8,361**	**1,270**	**7,091**

Income tax payable includes taxes and other duties payable. The increase in this section is due to the quarterly tax prepayment policy adopted in 2008, compared to that adopted in 2007. Assets and liabilities related to tax payable are recognized separately for each legal entity.

NOTE 30. TRADE AND OTHER LIABILITIES

Trade and other liabilities			In thousands of €
	31-12-2008	31-12-2007	Change
Trade payables	80,649	34,282	46,367
Payroll and related items	19,101	16,584	2,517
Other amounts payable	3,909	2,333	1,576
Total	**103,659**	**53,199**	**50,460**

Trade and other liabilities increased compared to 2007 due to higher trade payables. This was in turn influenced by the receipt of a considerable number of investment-related invoices in December 2008.

NOTE 31. OTHER CURRENT LIABILITIES

Other current liabilities			In thousands of €
	31-12-2008	31-12-2007	Change
Deferred income	2,249	2,774	-525
Accrued charges	1,235	1,464	-229
Total	**3,484**	**4,238**	**-754**

Other current liabilities include income to be carried forward to the next fiscal year and amounts charged against income but not yet payable.

NOTE 32. CONTINGENT ASSETS AND LIABILITIES AND THE GROUP'S RIGHTS AND COMMITMENTS

32.1. Litigation

32.1.1. Litigation with respect to the oil business

Pursuant to an agreement signed on November 9th, 1979, the Belgian State commissioned Fluxys SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys SA (formerly Distrigas) accepted this assignment provided that the Belgian State covered the costs, losses and all risks inherent to this assignment.

Following the decision to discontinue the oil business, action was taken against the Belgian State and Fluxys SA (formerly Distrigas).

The risk incurred by Fluxys SA (formerly Distrigas) is covered by a guarantee from the Belgian State (Royal Decree of February 3rd, 1981 – Belgian Official Gazette of February 17th, 1981), pursuant to the agreement of November 9th, 1979 between the Belgian State and Fluxys SA (formerly Distrigas) and the letter of December 30th, 1983 from the Ministers of Finance and Economic Affairs.

32.1.2. Other litigation

Decisions of the CREG

In 2005 Fluxys lodged an appeal with the 'Conseil d'Etat' (Council of State) for the nullification of the CREG's decision relating to its 2004 annual accounts.

In 2006 Fluxys also lodged an appeal with the Council of State for nullification of the CREG's decision regarding the role of Distrigas & Co in the transit of natural gas in Belgium and access to the Zeebrugge Hub, as well as an appeal with the Council of State for stay of execution and nullification of the decision by the Minister of Energy to give Wingas a license for the transport of natural gas by direct line.

In 2008, as mentioned in the preamble to the management report, Fluxys, Fluxys & Co and SEGEO appealed against CREG's decisions on tariffs for 2008-2011. Given that no final judgment had been issued when the statement of accounts was being drawn up, and although it has formally contested CREG's decisions, the Fluxys Group has decided, as a precautionary measure, to incorporate the results of CREG's decisions into its financial statements for 2008.

Income tax expenses

In 2007 and 2008, amendment notices for the tax years between 2004 and 2006 were sent by the tax authorities. The resulting tax assessments were received and amount to €2,521 thousand. Payment deadlines have been set. They are contested by the concerned companies of the Group and have not been recognized in the result.

Other claims

Other claims arising from the operation of our gas transport network are in progress but their potential impact is not material.

32.2.a. Assets and items held for third parties, in their name, but at the risk and for the benefit of companies included in the consolidation scope

In the ordinary course of business the Fluxys Group holds gas belonging to its customers at its storage sites in Loenhout, at the Dudzele Peak Shaving facility and in the tanks at the LNG terminal.

At December 31st, 2008, the quantities involved amount to 8,817,031 Mwh.

32.2.b. Assets and items held for third parties, in their name, but at the risk and for the benefit of the company

At December 31st, 2008, Fluxys was storing 341 Mwh of gas with third parties.

32.3. Guarantees received

Bank securities for the benefit of the Group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers.

At December 31st, 2008, the guarantees received amounted to €95,237 thousand.

32.4. Guarantees provided by third parties on behalf of the company

Rental guarantees in favor of the owners of assets located in Belgium and hired by the Group amounted to €962 thousand at December 31st, 2008.

At December 31st, 2008 other guarantees provided amounted to €49 thousand.

32.5. Guarantees as part of the financing of the Zeepipe Terminal

Fluxys is committed vis-à-vis the Cosutrel coordination centre and Fortis for the financing of its share of the Zeepipe Terminal facilities. The remaining balance of this funding commitment amounted to €2,975 thousand at December 31st, 2008.

32.6. Long-term rentals and availability agreements

In the ordinary course of business Fluxys is committed under various long-term operating leases with minimum future lease payments of €4,729 thousand at December 31st, 2008.

The Fluxys Group also has availability agreements (including so-called 'domanial concessions') with third parties for sites on which its facilities are being built. These contracts expire between 2009 and 2042.

Maturity of minimum future payments in respect of lease payments under non cancelable operating leases				In thousands of €
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
At December 31st, 2008	1,712	2,589	428	4,729
At December 31st, 2007	1,484	3,502	1,000	5,986

32.7. Commitments as part of the Interconnector Zeebrugge Terminal (IZT)

The IZT lease contract includes a purchase option for the lessee that can be exercised on October 1st, 2018 for an amount of €4,593 thousand. As part of this transaction, surface rights have been attributed.

32.8. Commitments under the RTR lease contract

As part of the RTR lease agreement, Fluxys has committed to G.I.E Finpipe to pay royalties for the availability of the RTR facilities. In addition, G.I.E. Finpipe entrusted an assignment for delegation and construction management to Fluxys on September 29th, 1998.

32.9. Commitments under the Troll lease contract

As part of the Troll lease agreement, Fluxys has committed to pay royalties to G.I.E. Finpipe for the availability of the Troll facilities and under certain circumstances to purchase the facilities and to take over the related financing arrangements. Furthermore, G.I.E. Finpipe entrusted an assignment for delegation and construction management to Fluxys on August 14th, 1991.

32.10. Commitments as part of the « capacity subscription agreements »

The Capacity Subscription Agreements ('CSA') concluded with the users (shippers) of the Zeebrugge LNG Terminal provide for 1,930 slots to be available from 2009 to 2026.

32.11. Commitments to the European Investment Bank - loans

Fluxys Group has been granted two loans by the European Investment Bank (EIB). The loans contain a pari passu clause and other contractual clauses (financial covenants), which were fulfilled by the Fluxys Group at December 31st, 2008.

32.12 Acquisition of Fluxys & Co

As regards transit activities, the transaction for the acquisition of Fluxys & Co includes a clause allowing the price to be revised upwards if any legislative, regulatory or judicial decisions issued between now and the end of the adjustment period, which finishes in late 2015, accord a higher value to transit activities than the agreed value of €350 million.

Furthermore, Fluxys obtained a hold-harmless guarantee worth €250 million from SUEZ-Tractebel and Publigas to cover the risk of the above-mentioned activities being valued at less than €350 million as the result of legislative, regulatory or judicial decisions. This guarantee is also valid until 2015.

Finally, Distrigas has a call option on the stake in the LNG carrier, which it can exercise during 6 months at the end of a 3 year-period. It can exercise this for 6 months after 3 years have passed. The exercise price of the option has been set at €70 million. Fluxys also has a put option with SUEZ-Tractebel (or any other company from its group that it nominates) on this same stake under the same conditions, in the event that Distrigas does not exercise its option.

32.13. Environmental policy

Fluxys has a program in place to bring its facilities in conformity with noise, atmospheric emissions and soil pollution standards and to clean up existing pipelines. Commitments under this program are estimated at €12,552 thousand at December 31st, 2008.

This program is monitored by an internal environmental coordination unit responsible, among other, for implementing Fluxys' environmental policy.

32.14. Other commitments given and received

Other commitments have been made and received by Fluxys Group, but their potential impact is not material.

NOTE 33. FINANCIAL INSTRUMENTS

Principles for managing financial risks

In the course of its activities, Fluxys Group is exposed to credit and counterparty risks, liquidity and interest risks and foreign exchange and market risks, all of which affect its assets and its liabilities.

Administrative organization, controlling and financial reports ensure that these risks are constantly monitored and managed.

The Group may use financial instruments only for hedging, and not for speculative or trading purposes. All transactions are directed to meeting the liquidity needs of companies belonging to Fluxys Group: no transaction may be entered into for the sole purpose of earning a speculative gain.

Cash management policy

Fluxys Group's cash is managed as part of a general policy that has been approved by the Board of Directors.

The objective is to optimize the Group's cash management through the internal recycling of resources to finance investment projects. Transactions are entered into at market terms and conditions.

When needed the Fluxys Group can also borrow on a short, medium or long-term basis to meet its own cash requirements.

Cash surpluses are normally used to cover the operational needs and investment projects of the entities belonging to the Fluxys Group. Internal investments are continuously monitored and risks are evaluated on a case-by-case basis.

Cash surpluses are either deposited with first rate financial institutions or are invested in financial instruments issued by companies with high short-term and long-term ratings, more specifically a short-term rating of at least A-2 (Standard & Poor's) or P-2 (Moody's). Cash surpluses are invested following a competitive bidding award, and in instruments that are sufficiently diversified to limit counterparty risk concentration.

At December 31st, 2008, cash and cash equivalents came to €166,658 thousand. The maturity of the deposits does not exceed 3 months.

Credit and counterparty risks

The Group systematically assesses its counterparties' financial capacity and systematically monitors trade receivables. Group policy regarding counterparty risks requires that the Group submits potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The Group uses internal and external information, such as official analyses performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess companies in relation to risk and award them a credit score. The Group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. Moreover, the Group is allowed for most of its activities to contractually require guarantees from counterparties, either bank guarantees or cash deposits. The Group thereby reduces its exposure to credit risk both in terms of default and concentration of risk.

Foreign exchange risk

The Group's transactions are mostly denominated in EUR.

Group policy requires that all foreign currency assets and liabilities be hedged. Residual foreign currency positions may remain open for short periods, provided that they involve the Group's main currencies and as long as the total net position does not exceed €1 million.

The activities of the subsidiary GMSL are denominated in GBP, but only for limited amounts that do not require hedging.

The Group is nevertheless exposed to risks related to the EUR/USD exchange rate, mainly through of its stake in the LNG ship, which generates revenue in USD. The Group therefore has foreign exchange contracts to hedge this risk. Although these contracts largely offset exposure to the USD, they do not meet the strict criteria for hedge accounting set down in IAS 39 'Financial instruments: Recognition and Measurement'.

A sensitivity analysis would therefore not be representative of the risk associated with these financial instruments.

The fair value of the financial instruments is listed as an asset in the section 'Other financial assets' and amounts to €15,306 thousand at December 31st, 2008. Over the period under consideration, their fair value decreased by €5,154 thousand (see Note 8). The hedged notional amount was USD 96.3 million and maturities fall between 2009 and 2022.

Interest rate risk

The Group's debt mainly consists of fixed interest rate loans amounting to €361,298 thousand at December 31st, 2008 and maturing between 2011 and 2033, commercial paper to the value of €70,310 thousand, which is used to cover one-off cash requirements, and finance lease payables with durations of between 17 and 20 years (fixed at the outset).

Part of the debts from finance leases is financed with a short-term interest rate. In order to manage this risk exposure, the Group uses swap contracts on interest rates to exchange a fluctuating rate against a fixed rate of 5.19%. Although these contracts compensate the risk exposure for the greater part, they do not meet the strict criteria for application of IAS 39 "Financial instruments : recognition and measurement".

The fair value of these financial instruments was listed as a liability under 'Other financial liabilities' and amounted to €3,333 thousand at December 31st, 2008. Over the period under consideration, their fair value decreased by €2,147 thousand (see Note 8). The hedged notional amount came to €53.3 million and maturities fall between 2009 and 2014.

Moreover, the Group's interest-bearing liabilities include tariff surpluses to be reimbursed within the regulatory framework. As explained in Note 25, these tariff surpluses carry interest at the 'Euribor 1 year' rate, which was determined by the Royal Decree of June 8th, 2007. The Group does not incur any interest rate risks related to this.

A sensitivity analysis is therefore not representative of the risk inherent in these financial instruments.

Consequently, the Group's exposure to interest rate risk is very limited.

Liquidity risk

Liquidity risk management is essential since maximum liquidity and optimum use of cash represent a major objective of the Fluxys Group. The amounts invested and the investment horizon match as much as possible the short and long-term planning of cash needs, taking into account operational risks.

Summary of financial instruments at balance sheet date

In thousands of €	31-12-2008	Note	Financial assets or financial liabilities at cost	Held-to-maturity investments	Assets and liabilities at fair value	Loans and receivbles at cost	Other liabilities at cost
I. Non-current assets			**2,989**	**0**	**0**	**30,714**	**0**
Other non-current financial assets	2,989	16	2,989				
Finance lease receivables	30,486	7b - 17				30,486	
Other non-current assets	228	18				228	
II. Current assets			**0**	**166,658**	**15,306**	**32,872**	**0**
Other current financial assets	15,306	33			15,306		
Finance lease receivables	1,093	7b - 17				1,093	
Trade and other receivables	31,779	21				31,779	
Cash and cash equivalents	166,658	7b - 22		166,658			
Total financial instruments - assets	**248,539**		**2,989**	**166,658**	**15,306**	**63,586**	**0**
II. Non-current liabilities			**534,157**	**0**	**0**	**0**	**0**
Interest-bearing liabilities	534,157	8 - 25	534,157				
III. Current liabilities			**186,500**	**0**	**3,333**	**0**	**103,659**
Interest-bearing liabilities	186,500	8 - 25	186,500				
Other financial liabilities	3,333	33			3,333		
Current trade and other payables	103,659	30					103,659
Total financial instruments - liabilities	**827,649**		**720,657**	**0**	**3,333**	**0**	**103,659**

The Group had €66,997 thousand in unused credit lines available at December 31st, 2008 compared to €33,697 thousand at December 31st, 2007.

NOTE 34. RELATED PARTIES

Since the second half of 2008, SUEZ-Tractebel has no longer control over the Fluxys Group, having sold a 12.5% stake in the Group (See Note 24).

The consolidated financial statements include transactions entered into by the Group in the ordinary course of business with non-consolidated parties that were related until June 30th, 2008. These transactions are entered into under market terms and conditions and mainly consist of transactions with Distrigas for gas transmission, storage and terminalling services, Distrigaz & Co (controlled by Fluxys since July 1st, 2008), Finpipe with which Fluxys has concluded lease contracts, Electrabel for electricity supply, and Cosutrel for the provision of loans.

Assets with related parties
I. ASSETS WITH RELATED PARTIES
1. Other financial assets
1.1. Securities other than shares
1.2. Loans
2. Other non-current assets
2.1. Finance lease contracts
2.2. Other non-current receivables
3. Trade and other receivables
3.1. Trade receivables
3.2. Finance lease contracts
3.3. Other receivables
4. Cash and cash equivalents
5. Other current assets
II. LIABILITIES WITH RELATED PARTIES
1. Interest-bearing liabilities (current and non-current)
1.1. Bank loans
1.2. Finance lease contracts
1.3. Bank overdrafts
1.4. Other loans
2. Trade and other payables
2.1. Trade payables
2.2. Other payables
3. Other current liabilities
III. TRANSACTIONS WITH RELATED PARTIES
1. Sale of non-current assets
2. Purchase of non-current assets (-)
3. Services rendered and goods delivered
4. Services received (-)
5. Transfers under financing agreements
6. Remuneration of Executive Management and Directors
Short-term benefits
Post-employment benefits

	Fiscal year 2008				Previous fiscal year			
	Joint ventures	Associated companies	Other related parties	Total	Joint ventures	Associated companies	Other related parties	Total
	0	**337**	**0**	**337**	**1,171**	**176**	**188,000**	**189,347**
	0	**31**	**0**	**31**	**0**	**31**	**0**	**31**
		31		31		31		31
				0				0
	0	**0**	**0**	**0**	**420**	**0**	**134,274**	**134,694**
				0	0	0	134,274	134,274
				0	420	0	0	420
	0	**306**	**0**	**306**	**751**	**145**	**53,726**	**54,622**
		217		217	751	145	35,278	36,174
				0	0	0	18,275	18,275
		89		89	0	0	173	173
				0	0	0	0	0
				0	0	0	0	0
	0	**909**	**0**	**909**	**0**	**149**	**163,690**	**163,839**
	0	**0**	**0**	**0**	**0**	**0**	**159,859**	**159,859**
				0	0	0	0	0
				0	0	0	155,694	155,694
				0	0	0	0	0
				0	0	0	4,165	4,165
	0	**909**	**0**	**909**	**0**	**149**	**3,831**	**3,980**
				0	0	0	3,824	3,824
		909		909	0	149	7	156
				0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	3,698	**670**	**141,877**	**146,245**	**6,320**	**478**	**305,337**	**312,135**
	-910	**-2,318**	**-4,840**	**-8,068**	**-1,200**	**0**	**-16,002**	**-17,202**
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	0	**0**	**2,816**	**2,816**	**0**	**0**	**2,559**	**2,559**
			2,374	2,374			2,343	2,343
			442	442			216	216

NOTE 35. SEGMENT INFORMATION

Segment information, as used by the management of the Fluxys Group, is defined as transmission, storage and terminalling activities in Belgium, and other activities.

Primary segment information is based on these business segments.

Transmission activities comprise all operations subject to the "Gas Law" and related to transport and transit in Belgium. [1]

Storage activities comprise all operations subject to the "Gas law" and related to storage in Belgium at Loenhout and Dudzele. [1]

Terminalling activities comprise all activities subject to the "Gas law" and related to the LNG terminal in Belgium at Zeebrugge. [1]

The segment 'other activities' comprises other services rendered by the Fluxys Group such as managing the Zeebrugge gas hub, participating in the IZT and ZPT terminals in Belgium [2], participating in gas transmission projects outside Belgium (BBL-facilities), chartering an LNG ship, gas dispatching services, the sale of software solutions to natural gas producers, shippers and traders, work for third parties and cathodic protection works.

Secondary segment information based on geographical segments is not required for the Fluxys Group, since its activities are mostly conducted in Belgium.

(1) Law of April 12th, 1965 in respect of the transmission of gaseous products and others by pipeline as subsequently modified.

(2) Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT).

Segment income statement on December 31st, 2008						In thousands of €
	Transmission	Storage	Terminal-ling	Other activities	Inter-segment transfers	Total
Revenue						
Sales and services to external customers	402,673	44,450	76,381	68,699		592,203
Inter-segment transactions	10,082	2,576	5,828	9,008	-27,494	0
Other operating income	2,764	232	171	10,105	-48	13,224
Consumables, merchandise and supplies used	-16,256	-1,366	-6,611	-9,124	2,859	-30,498
Miscellaneous goods and services	-124,425	-14,625	-19,168	-14,707	24,683	-148,242
Personnel costs	-76,877	-12,201	-11,093	-6,303		-106,474
Other operating charges	-4,707	-726	-2,109	-575		-8,117
Depreciation and amortization	-52,822	-7,255	-13,195	-4,979		-78,251
Provisions for risks and charges	-51,595	-53	-106	-1,974		-53,728
Impairment losses	-2,818	0	0	-322		-3,140
Profit from operations	**86,019**	**11,032**	**30,098**	**49,828**	**0**	**176,977**
Profit/loss from disposal of financial assets						3,016
Financial income						24,400
Cost of / Loss from financial instruments						-9,777
Financial expenses						-35,398
Profit from continuing operations						**159,218**
Income tax						-46,323
Profit for the period						**112,895**

Revenue from transmission, storage and terminalling activities has been positively impacted by the comming into effect of the R.D. on tariffs and by the increase in the authorized rate of return on the capital invested.

The result from terminalling activities is rising following the commissioning of the Zeebrugge LNG Terminal extension facilities on April 1st, 2008.

Results from the company's other activities also increased compared to 2007, mainly thanks to the revenues from new capacity contracted on the Balgzand-Bacton pipeline (Netherlands – United Kingdom) and income from the LNG ship, in which Fluxys & Co holds a 49% stake.

Primary segment balance sheet (activities) on December 31st, 2008						In thousands of €
	Transmission	Storage	Terminal-ling	Other activities	Unallocated	Total
Property, plant and equipment	1,111,227	170,951	425,390	175,838		1,883,406
Intangible assets	17,383	151	15	0		17,549
Goodwill				3,230	407,528	410,758
Net trade receivables	15,545	0	223	9,498	0	25,266
Finance lease receivables	0			31,579		31,579
Inventories	67,018		177	786		67,981
Other assets	0				225,063	225,063
						2,661,602
Interest-bearing liabilities	273,081	1,570	94,385		351,621	720,657
Other liabilities					1,940,945	1,940,945
						2,661,602
Investments in property, plant and equipment for the fiscal year	128,598	40,601	26,714	2,134		198,047
Investment in intangible assets for the fiscal year	11,016	175	15			11,206

Segment income statement on December 31st, 2007						In thousands of €
	Transmission	Storage	Terminal-ling	Other activities	Inter-segment transfers	Total
Revenue						
Sales and services to external customers	284,111	39,617	50,378	58,935		433,041
Inter-segment transactions	4,640	2,513	3,176	11,337	-21,666	0
Other operating income	1,721	156	634	7,766	-6	10,271
Consumables, merchandise and supplies used	-15,852	-1,196	-4,184	-11,201		-32,433
Miscellaneous goods and services	-110,277	-17,158	-16,630	-19,142	21,672	-141,535
Personnel costs	-70,918	-11,470	-10,014	-4,016		-96,418
Other operating charges	-1,892	-752	-2,075	-378		-5,097
Depreciation and amortization	-43,447	-7,919	-10,512	-4,027		-65,905
Provisions for risks and charges				7,591		7,591
Impairment losses	479	0	0	-240		239
Profit from operations	**48,565**	**3,791**	**10,773**	**46,625**	**0**	**109,754**
Financial income						28,182
Financial expenses						-20,314
Profit from continuing operations						**117,622**
Income tax						-35,801
Profit for the period						**81,821**

Primary segment balance sheet (activities) on December 31st, 2007						In thousands of €
	Transmission	Storage	Terminal-ling	Other activities	Unallocated	Total
Property, plant and equipment	886,301	137,569	411,877	107,838		1,543,585
Intangible assets	14,166	13		0		14,179
Goodwill				4,507		4,507
Net trade receivables	29,264	5,630	4,242	6,999	0	46,135
Finance lease receivables	152,549			32,411		184,960
Inventories	31,973		785	1,222		33,980
Other assets	0				242,304	242,304
						2,069,650
Interest-bearing liabilities	247,155	3,181	93,546	7,603		351,485
Other liabilities					1,718,165	1,718,165
						2,069,650
Investments in property, plant and equipment for the fiscal year	96,910	6,385	28,316	468		132,079
Investment in intangible assets for the fiscal year	7,324	13				7,337

NOTE 36. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Pursuant to Article 11 of the articles of association, the Board of Directors of Fluxys SA comprises 21 to 24 members. Two representatives of the federal government attend the meetings of the Board of Directors and the Strategic Committee.

The General Assembly of May 8th, 2007 decided to bring the total maximum amount of directors' fees to € 360,000 per annum indexed. As from January 1st, 2006 directors also receive an attendance fee.

Pursuant to Article 18 of the articles of association of Fluxys, the Board of Directors is authorized to pay a special remuneration to directors who carry out special duties for the company. The Board also has the right to reimburse travel expenses and costs incurred by the members of the Board of Directors.

The Fluxys Group has not granted any loans to directors; in addition, the directors have not entered into unusual or abnormal transactions with the Group.

For further information, the reader should refer to the 'Corporate Governance' chapter in the management report and to Note 34 'Related Parties' for the breakdown of remuneration by category.

NOTE 37. SUBSEQUENT EVENTS

There have been no subsequent events with a material impact on the financial statements.

IV. Statutory auditor's report to the shareholders' meeting on the consolidated financial statement for the year ended 31 December 2008

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fluxys SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 2.661.602 (000) EUR and a consolidated profit (group share) for the year then ended of 110.964 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerp, 6 March 2009

The statutory auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA / Reviseurs d'Entreprises SC s.f.d. SCRL
Represented by Jurgen Kesselaers

V. STATUTORY ACCOUNTS OF FLUXYS SA UNDER BELGIAN GAAP

Given the significance of the equity as well as the revenue of the parent company in the consolidated financial statements, the publication of the detailed version of the annual accounts and the notes to the accounts in this brochure would, in the majority of cases, be redundant given the explanations found in the consolidated accounts.

Pursuant to Article 105 of the Companies Code, it has therefore been decided to present an abridged version of the annual accounts of Fluxys SA.

The Statutory auditor issued an unqualified audit opinion on the annual accounts of Fluxys SA.

These documents have been deposited with the National Bank of Belgium and are available upon request at the following address:
Fluxys SA - Department Communication & Secretary of the Board
Avenue des Arts 31, B-1040 Brussels – Belgium

I. BALANCE SHEET

Assets		In thousands of €
	31-12-2008	31-12-2007
Fixed assets	**2,344,555**	**1,249,371**
Intangible fixed assets	17,534	14,179
Tangible fixed assets	1,243,155	1,135,363
Financial fixed assets	1,083,866	99,829
Current assets	**259,364**	**249,997**
Amounts receivable after more than one year	61,354	81,282
Stock and contracts in progress	67,333	32,707
Amounts receivable within one year	21,823	45,827
Current investments	49,688	76,605
Cash at bank and in hand	89	121
Deferred charges and accrued income	59,077	13,455
Total	**2,603,919**	**1,499,368**

Equity and liabilities		In thousands of €
	31-12-2008	31-12-2007
Equity	**1,167,551**	**1,153,435**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	679,519	715,720
Reserves	384,606	351,037
Accumulated profits	43,116	26,368
Provisions and deferred taxes	**53,927**	**66,653**
Provisions for risks and charges	53,927	66,653
Amounts payable	**1,382,441**	**279,280**
Amounts payable after more than one year	351,944	85,715
Amounts payable within one year	897,126	97,227
Accrued charges and deferred income	133,371	96,338
Total	**2,603,919**	**1,499,368**

II. INCOME STATEMENT

Income statement		In thousands of €
	31-12-2008	31-12-2007
Operating income	476,355	400,232
Operating charges	352,912	319,496
Operating profit	**123,443**	**80,736**
Financial income	19,783	63,259
Financial charges	30,082	9,572
Net financial income	**-10,299**	**53,687**
Profit on ordinary activities before taxes	**113,144**	**134,423**
Extraordinary income	1,226	1,500
Extraordinary charges	3	7
Net extraordinary income / (expense)	**1,223**	**1,493**
Profit for the period before taxes	**114,367**	**135,916**
Income taxes	**-48,435**	**-39,655**
Profit for the period	**65,932**	**96,261**
Transfer from untaxed reserves	**0**	**2,555**
Profit for the period available for appropriation	**65,932**	**98,816**

III. APPROPRIATION ACCOUNT

Appropriation account	In thousands of €	
	31-12-2008	31-12-2007
A. Profit to be appropriated	**92,300**	**102,252**
1. Profit for the period available for appropriation	65,932	98,816
2. Profit carried forward from the previous period	26,368	3,436
B. Transfer from equity	**0**	**0**
2. From reserves	0	0
C. Transfer to equity	**0**	**0**
2. To the legal reserve	0	0
3. To the other reserves	0	0
D. Result to be carried forward	**43,116**	**26,368**
1. Profit to be carried forward	43,116	26,368
F. Profit to be distributed	**49,184**	**75,884**
1. Dividends	49,184	75,884
If the above proposal is accepted and taking tax requirements into account, the **annual** dividend, net of withholding tax, will be:	52.50 €	81.00 €

In 2008, no interim dividend was paid. The gross dividend per share for 2008 will be €70.00 (€52.50 net). This dividend will be paid as from May 19th, 2009.

IV. CAPITAL AT THE END OF THE PERIOD

Capital at the end of the period	31-12-2008
A.1. Subscribed capital (in thousands of €)	
At the end of the previous period	60,272
At the end of the period	60,272
A.2. Capital represented by:	
Registered shares	632,358
Bearer shares	70,278

G. Shareholder structure

Declarant	Date of declaration	Share category	Number of voting rights declared	%
SUEZ-Tractebel SA	September 19th, 2008	A/C/D	314,432	44.75
Publigaz	September 19th, 2008	A/B/C/D	317,739	45.22
			632,171	**89.97**

The Belgian State holds one specific share.

V. INCOME TAXES

Income taxes	In thousands of €
	December 31st, 2008
A. Breakdown of heading 670/3*	
1. Income taxes on the result of the current period	**48,485**
a) Taxes and withholding taxes due or paid	43,628
b) Excess of income tax prepayments	0
c) Estimated additional taxes	4,857
2. Income taxes on previous periods	**-15**
a) Additional taxes due or paid	-15
b) Additional taxes (estimated or provided for)	
B. Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	**114,367**
Permanent differences:	**28,279**
Definitively taxed income	-12,743
Non-deductible expenses	3,200
Taxable reserves	39,048
Notional interest	0
Capital gains on participations	-1,226
Total	**142,646**

** The regularisation of taxes (accounts 77) for an amount of -35 k€ is not registered in this item.*

VI. WORKFORCE

ONSS N°: 030012851238

Joint Commission N°: 326

I. PERSONS EMPLOYED

A. Employees recorded in the personnel register

1. During the year and the previous year	1. Full time 2008	2. Part time 2008	3. Total (T) or total FTE* 2008	4. Total or total FTE* 2007
Average number of employees	893,5	77	951.39 *	923.77*
Effective hours worked	1,352,902.51	88,714.60	1,441,617.11	1,379,278.58
Personnel costs	94,063,635.54	5,617,672.14	99,681,307.68	89,506,958.20
Benefits provided in addition to salary			1,686,200.73	1,039,482.11

** Full time equivalents*

2. At the year end	1. Full time	2. Part time	Total FTE*
a. Number of employees recorded in the personnel register	916	77	973.80
b. By contract type			
Permanent	882	77	939.80
Fixed term	34	0	34.00
Contract	0	0	0.00
Replacement	0	0	0.00
c. By gender and by level of education			
Men:	763	27	784.00
Primary	4	0	4.00
Secondary	334	17	347.00
Higher non-university	321	9	328.20
University	104	1	104.80
Women:	153	50	189.80
Primary	0	0	0.00
Secondary	37	12	45.70
Higher non-university	87	30	108.70
University	29	8	35.40
d. Professional category			
Executives	283	11	291.80
Staff	633	66	682.00
Workers	0	0	0.00
Other	0	0	0.00

** Full time equivalents*

B. Interim staff and persons made available to the business

During the year	Interim staff	Persons made available to the business
Average number of persons employed	13.05	
Actual number of hours worked	25,814.61	
Cost to the business	673,369.09	

II. TABLE OF MOVEMENTS IN PERSONNEL DURING THE YEAR

A. Recruits	1.Full time	2.Part time	3.Total FTE*
a. Number of employees recorded in the personnel register during the year	145	3	147.40
b. By contract type			
Permanent	83	3	85.40
Fixed term	62	0	62.00
Contract	0	0	0.00
Replacement	0	0	0.00

** Full time equivalents*

B. Leavers	1.Full time	2.Part time	3.Total FTE*
a. Number of employees whose date of departure is recorded in the personnel register during the year	99	0	99.00
b. By contract type			
Permanent	46	0	46.00
Fixed term	53	0	53.00
Contract	0	0	0.00
Replacement	0	0	0.00
c. Reasons for leaving			
Pension	18	0	18.00
Early pension	0	0	0.00
Dismissed	4	0	4.00
Other	77	0	77.00
Including: the number of persons who continue, at least part-time, to provide services to the business independently	0	0	0

** Full time equivalents*

III. INFORMATION ON WORKERS TRAINING DURING THE YEAR

	Men	Women
A. Initiatives covering formal advanced professional training paid by the employer		
Number of workers concerned	745	178
Number of training hours	31,367.78	4,586.25
Cost to the business	2,725,684.14	395,952.26
of which gross cost directly related to training	2,725,684.14	395,952.26
of which fees paid and contributions to group funds	0	0
of which grants and other financial advantages received (to be deducted)	0	0

	Men	Women
B. Initiatives covering less formal or informal advanced professional training paid by the employer		
Number of workers concerned	91	18
Number of training hours	981.70	186.60
Cost to the business	73,412.23	12,648.80

	Men	Women
C. Initiatives covering apprentice training paid by the employer		
Number of workers concerned	0	0
Number of training hours	0	0
Cost to the business	0	0

Questions regarding financial and accounting data
René Sterckx
Tel 32 2 282 74 80
Fax 32 2 282 75 43
E-mail rene.sterckx@fluxys.net

Contacts with the press
Bérénice Crabs
Tel 32 2 282 72 30
Fax 32 2 282 79 43
E-mail berenice.crabs@fluxys.net

This report is also aivalable in Dutch and French.
For a copy in these languages, please contact the Department Communication:
Tel 32 2 282 77 32
Fax 32 2 282 79 43
E-mail sandra.vanpraet@fluxys.net

Conception et réalisation:
www.comfi.be

Photography:
Jean-Marc Bodson
Patrick Hendryckx
Filip Van Loock
Emmanuel Manderlier
Marc Provost
Philippe Vanoutrive

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FLUXYS ANNUAL FINANCIAL REPORT 2008

Fluxys SA

Registered Office - Avenue des Arts 31 – B-1040 Brussels

Tel 32 2 282 72 11 - **Fax** 32 2 282 02 39 - www.fluxys.com

VAT BE 0402.954.628 **- RPR Brussels -** D/2009/9484/3