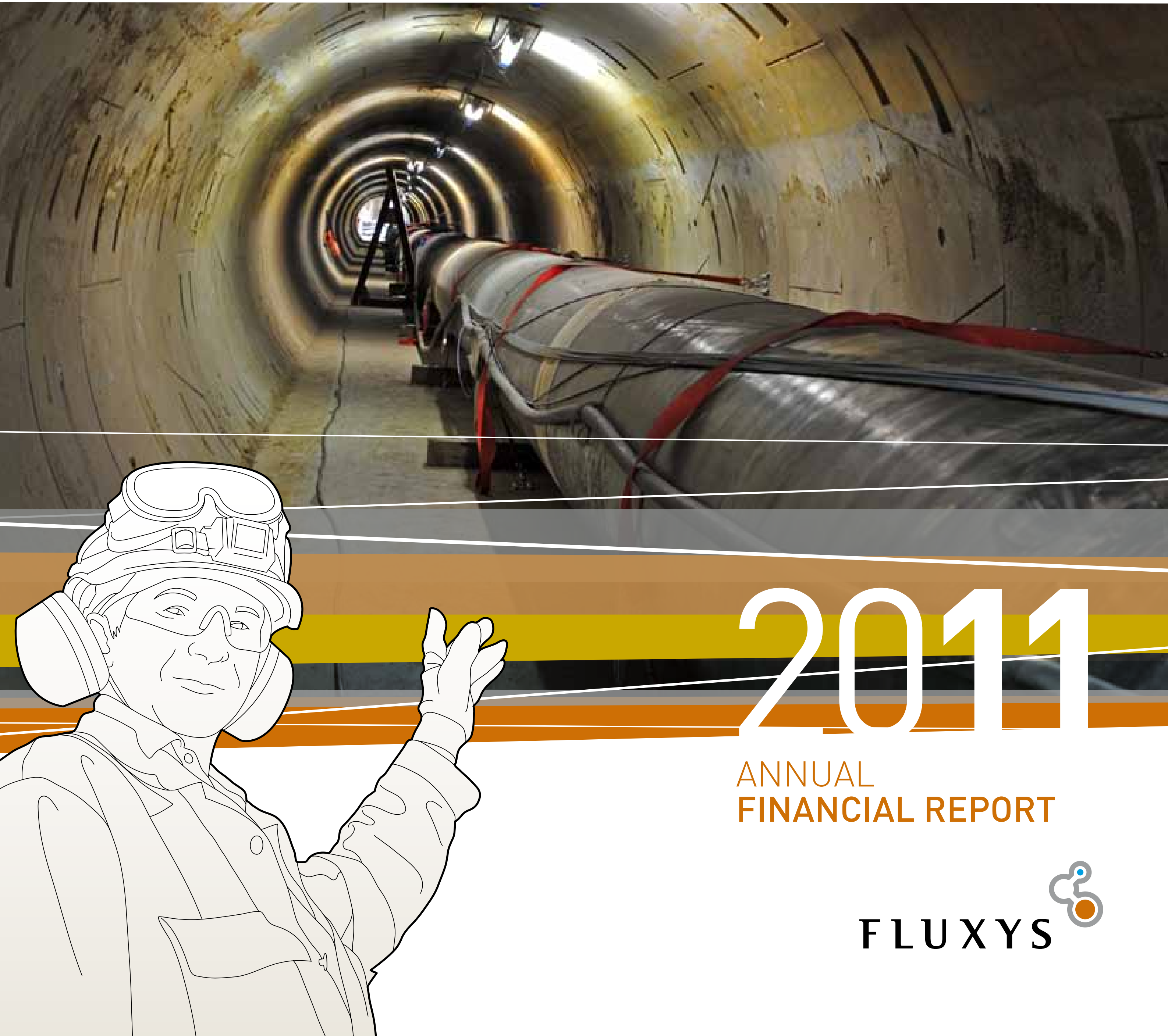

2011

ANNUAL FINANCIAL REPORT

FLUXYS

Regulated information – 2 April 2012

83rd financial year
Reports to the Annual General Meeting of 8 May 2012

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2011

Foreword

Fluxys has developed the Belgian grid into a natural gas crossroads for North-Western Europe. Our grid is connected to all natural gas sources for the European market, and it offers our customers optimum destination flexibility for their natural gas: they can deliver it to the Belgian market, trade it on the spot market, or transport it to any neighbouring country for delivery or spot trade. Essentially, then, for a number of years we have been putting into practice in the Belgian grid what the European Union's Third Energy Package aims to achieve for the functioning of the European natural gas system as a whole.

The question is: how should we steer our approach to take account of the prospect of a single, integrated European system? In 2009 and 2010, Fluxys developed its strategy and restructured the group, making Fluxys G the parent company for all of its Belgian and European activities. In 2011 we set about resolutely implementing our strategy, and we are continuing that approach in 2012: shaping an integrated natural gas market in the spirit of the Third Energy Package and in the process adapting the crossroads function of our infrastructure to a broader European model.

2011 was a turbulent year, but Fluxys was able to make it a success thanks to the professionalism, energy and entrepreneurial spirit of its employees. Moreover, their expertise and experience have been a key asset in expanding the group's European dimension. The management and Board of Directors would therefore like to thank staff explicitly for their dedication and perseverance. We have no doubt that, together, we will be able to push more boundaries in the years to come.

The backbone of Europe's natural gas supply

Thanks to the group's international development in 2011, the Belgian grid is now part of a cross-border backbone for Europe's gas supply along both the north/south and east/west axes: a backbone comprising the Dunkirk LNG terminal (currently under construction) in France, the TENP pipeline and the NEL pipeline (also under construction) in Germany, and the Transitgas pipeline in Switzerland. Fluxys employees are hard at work harmonising activities and services in non-Belgian infrastructure, in line with the cross-border perspective of our customers. Work is also under way on a European commercial dispatching centre to manage flows between the United Kingdom and Italy.

With branches to the UK as well as in Germany and Switzerland, the Belgian grid has a strong position to attract new flows, while our European vision makes us the driving force behind the process to further connect markets and trading places. Between the UK and Italy, natural gas can currently only flow from north to south. But we strongly believe that south-to-north flows will become possible and this will allow us to open up North African sources, among others, for the North-Western European market via the Belgian grid.

Working in tandem with other TSOs

In its drive to link up markets and trading places, Fluxys also works closely with other transmission system operators. For example, hub-to-hub services have been developed with Open Grid Europe and GRTgaz, which allow market players to easily book capacity for their flows between the Belgian trading place, the German NCG and the French PEG Nord. In this way, we are encouraging traffic between the trading places and promoting market liquidity.

With GRTgaz, Fluxys has also successfully concluded a market consultation on the construction of a new pipeline between Dunkirk and the Zeebrugge area. The pipeline will allow up to an additional 8 billion cubic metres of natural gas to flow from the Dunkirk LNG terminal into the Belgian system, thereby enhancing security of supply and providing a new source for the further development of natural gas trading and market liquidity.

€1.2 billion invested over five years

The cold snap in early 2012 saw a flurry of new consumption records in Belgium and surrounding countries. Thanks to the flexibility of its grid, Fluxys had no problems delivering the capacity needed to supply Belgium while also safeguarding security of natural gas supply and electricity generation in neighbouring countries. This feat was possible thanks to the company's active investment policy.

Over the past five years, Fluxys has invested approximately €1.2 billion in its infrastructure to ensure that customers can use capacity as flexibly as possible, can transport their natural gas with maximum flexibility to consumers in Belgium and abroad and can trade their natural gas easily, both in Zeebrugge and on the markets in neighbouring countries.

At the Zeebrugge LNG terminal, for example, Fluxys has been focusing in recent years on LNG redelivery solutions for customers. We initially developed LNG carrier loading services, and since last year it has also been possible to load trucks with LNG. This means we are offering terminal users additional destination flexibility for their LNG.

At the Loenhout storage facility, capacity has been upgraded and at the same time we have expanded the contractual offering to include long-term capacity so that market players can secure supply flexibility on a long-term basis for the benefit of their customers.

At the Berneau and Winksele compressor stations, capacity is being significantly expanded to enable flows on the east/west and north/south axes to be combined more flexibly. This is necessary to facilitate the introduction of the new entry/exit transmission model in late 2012. The new model is fully in line with the concept advocated by the European Union and will offer grid users full flexibility in the way they use the network.

Mindful of all stakeholders

As transmission system operator, Fluxys has a public service mission with respect to all of its stakeholders. For end-users, we do everything we can to safeguard security of supply and to keep the cost of our services as low as possible. For our customers, we endeavour to offer services and infrastructure tailored to the market. And for people living and working near our infrastructure, we aim to be a good neighbour. Safety is therefore paramount in all of our processes: not only in the operation of our infrastructure, but right from the preparatory study stage prior to the construction of new facilities. Furthermore, we continue our committed to transparent communication with all parties involved in a new project, from the preparatory phases onward.

Great services at a great price

In the services we offer to the market, we aim to deliver top quality at the best possible price. Whether it be for transmission, storage or LNG terminalling, Fluxys' tariffs are among the lowest in Europe. This competitiveness benefits our customers and end-users while at the same time acting as a powerful lever to promote the continued use of our infrastructure for cross-border services, which account for around 60% of our revenues.

To maintain this competitiveness, Fluxys pursues a policy of rigorous cost management and of investment financing at the best market conditions. Another way of promoting competitiveness is to move towards a financial structure that is more in line with the regulatory framework. To this end, the Board of Directors will propose to the Annual General Meeting to pay out available reserves and so move the financial structure closer to a gearing of 1/3 equity and 2/3 debt, the ratio stipulated in the regulatory framework. The resulting improvement in return on equity will create room to keep the tariffs competitive in future.

Solid basis for the future

Around 90% of the paid-out reserves will go to parent company Fluxys G, and will therefore remain within the group. They will be used to finance the development of the group and for making investments to attract additional gas flows to Belgium, with a view to strengthen the crossroads function of the Belgian network and enhance security of supply. As stable shareholders of Fluxys G, Publigas and the Caisse de dépôt et placement du Québec fully endorse the Executive Board's strategy, and to this end injected €450 million of fresh capital into the group in 2011.

Walter Peeraer	Daniël Termont
Chairman of the Executive Board and CEO	Chairman of the Board of Directors

Shareholders' guide

Fluxys shares

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

Shareholders' agenda

- 8 May 2012 – Annual General Meeting
- 15 May 2012 – Payment of dividends
- 29 August 2012 – Press release by the Board of Directors on the half-yearly results in accordance with IFRS

Interim statements will be published in May and November 2012.

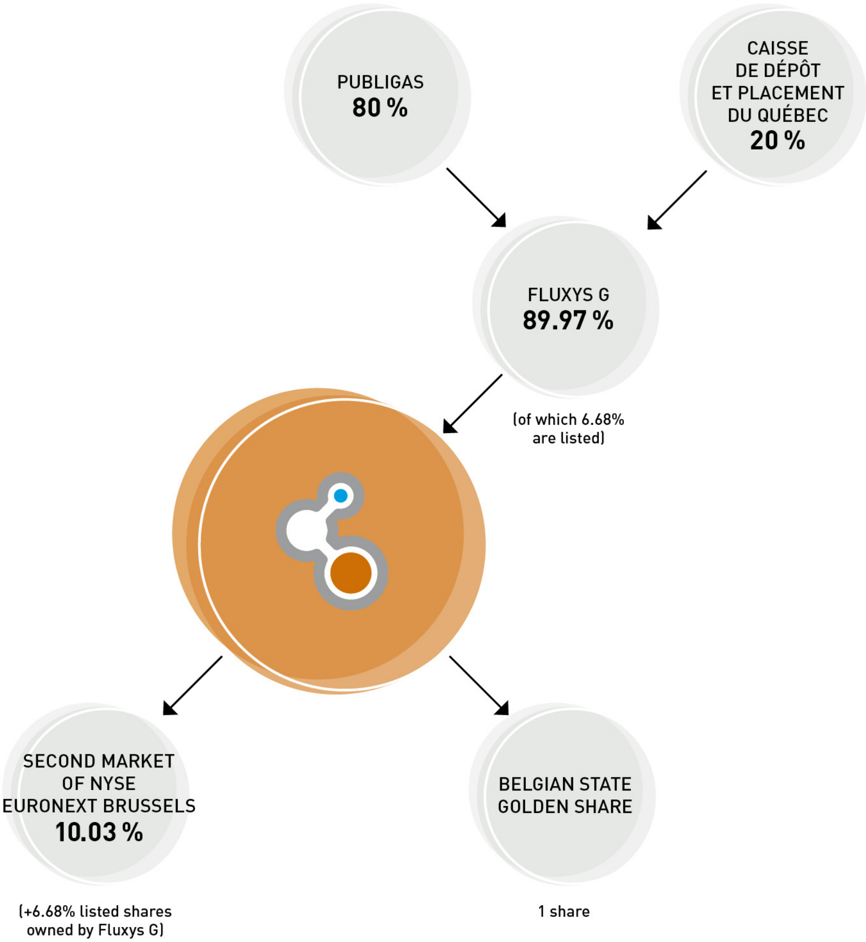
Stock split

The Fluxys share is considered a safe and prudent investment, but its high price causes the volume traded on the stock exchange to remain low. To boost the share's accessibility and liquidity, the Board of Directors has decided to propose to the Extraordinary General Meeting of 8 May 2012 that the share be split. If the proposal is accepted, from 9 May 2012 shareholders will receive 100 new shares for each old share.

Payment of dividends

The gross dividend per share for the financial year 2011 is €888 (€666 net). If the proposal to split the share is accepted, the gross dividend will be €8.88 (€6.66 net). This includes a one-off distribution of available reserves which will allow Fluxys to move towards a financial structure with a ratio of equity to borrowed funds that is more in line with the Belgian regulatory framework and similar companies in Europe with a Standard & Poor's 'A' rating. Following the distribution of reserves, the company will maintain the resources needed for its investment programme. The new financial structure will also improve the return on equity and at the same time is to create room to keep tariffs competitive in the future.

The share of available reserves paid to parent company Fluxys G will be used for financing the development of the group and for investments to attract additional flows to Belgium, with a view to consolidating security of supply and the Belgian grid's role as a natural gas crossroads.



SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2011

Fluxys share

		2011	2010	2009	2008	2007
Price	Maximum	2,877	2,525	2,525	2,580	2,831
	Minimum	2,301	2,150	1,950	1,826	2,300
	Closing rate at 31 December	2,830	2,330	2,280	1,901	2,440
	Average	2,658	2,302	2,240	2,272	2,594
Cash flow per share		297.79	486.56	407.04	330.88	173.69
Consolidated net profit per share		173.74	352.04	146.94	165.16	109.70
Price/profit ratio at 31 December		16	9	16	12	22
Number of shares		702,636	702,636	702,636	702,636	702,636
Average daily volume traded		22	20	43	70	47

Gross/net dividend per share (€)

	2011*	2010 **	2009	2008	2007
Gross dividend per share	888	448	70.00	70.00	108.00
Net dividend per share	666	336	52.50	52.50	81.00

Consolidated net result, Fluxys SA share (in € million)

	2011	2010	2009	2008	2007
Consolidated net result, Fluxys SA share	122	247	103	116	77

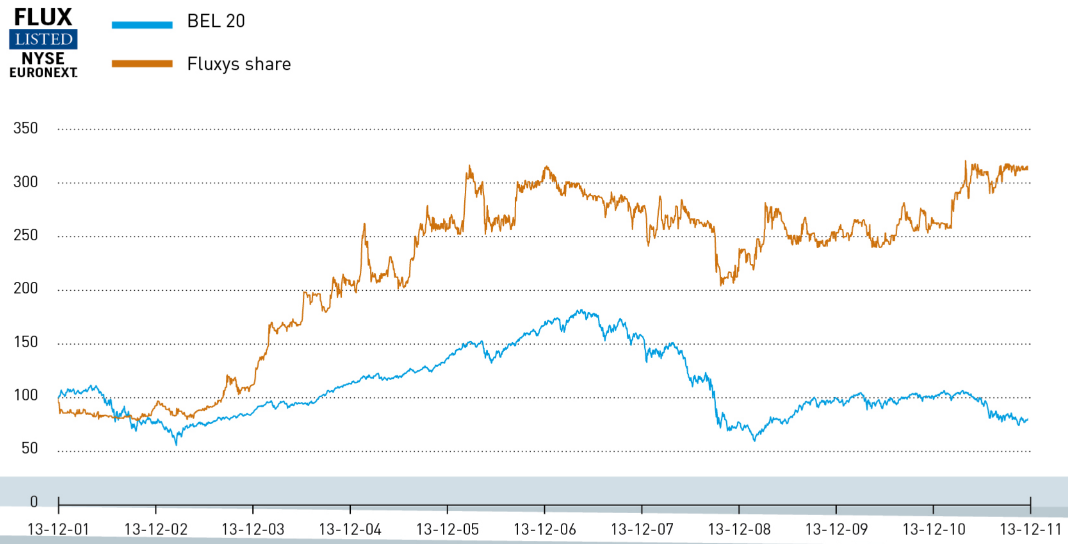
Consolidated equity, Fluxys SA share (in € million)

	2011	2010	2009	2008	2007
Consolidated equity, Fluxys SA share	1,368	1,401	1,369	1,311	1,217

* Expressed on the basis of 702,636 shares.
** In December 2010 an interim dividend of €228 was paid.

Notes on Fluxys shares

The Fluxys share price closed at €2,330 on 31 December 2010. The lowest closing rate in 2011 was €2,301 on 23 February 2011, and the highest was €2,877 on 11 May 2011. At the end of 2011, the share price was €2,829.95. The average daily volume of shares traded on the Second Market of NYSE Euronext Brussels was 22 in 2011 compared with 20 in 2010.



EVOLUTION OF 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 July 2001. The new Fluxys share following the split-off has been listed on NYSE Euronext Brussels since 13 December 2001.*

Fluxys in a nutshell

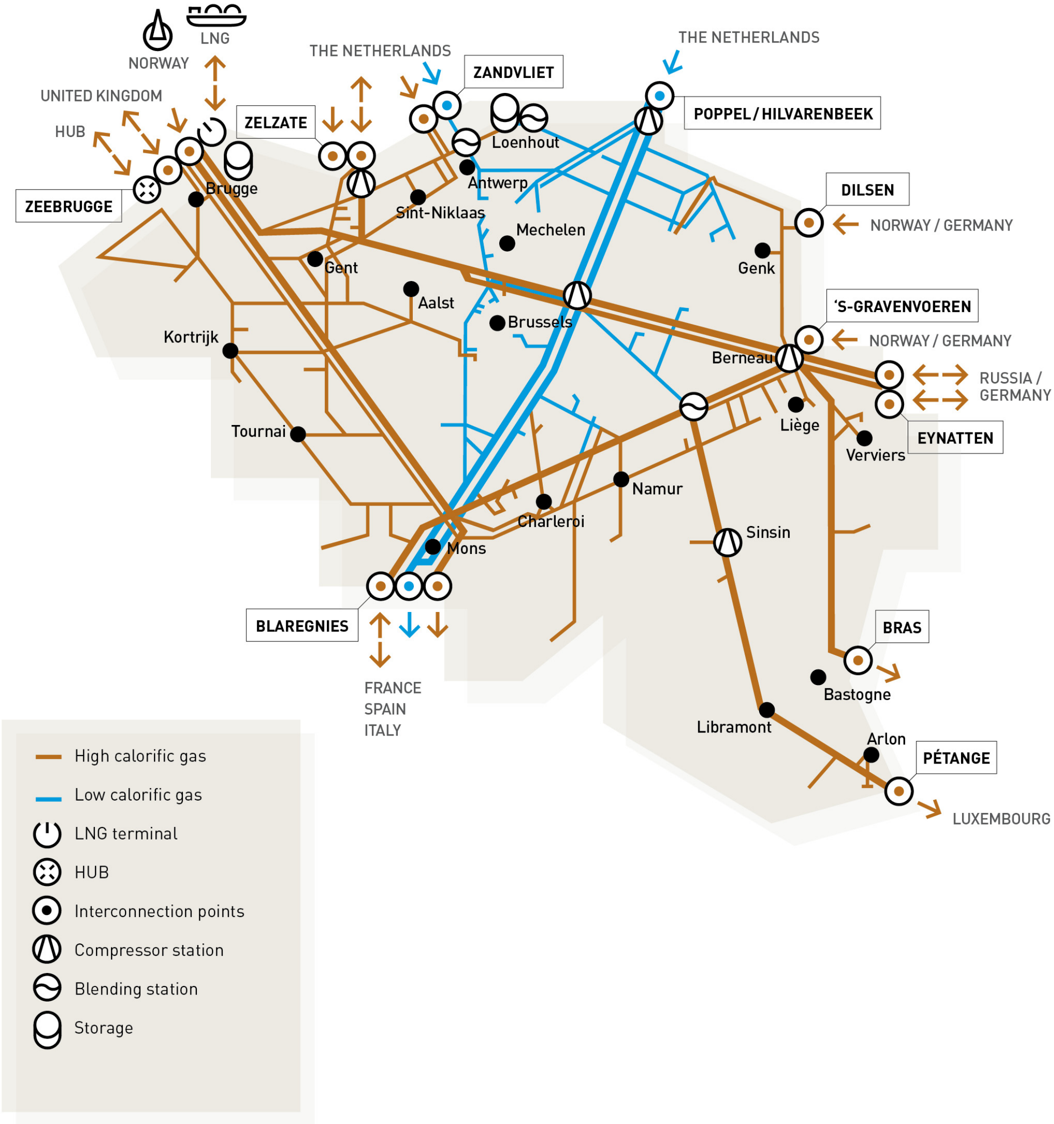
Services

Transmission – Fluxys sells capacity to its system users to transmit natural gas to distribution system operators, power stations and major industrial end-users in Belgium or to move natural gas to a border point for other end-user markets in Europe.

Storage – Fluxys offers capacity at its underground storage facility in Loenhout, enabling customers to store natural gas. This gives them a flexible source of natural gas and allows them to build up a buffer to ensure the continuity of deliveries to end-users.

LNG terminalling (liquefied natural gas) – At the Zeebrugge terminal, Fluxys sells capacity for loading and unloading LNG ships, storing LNG and regasifying it prior to injection into the Fluxys grid. At the facility, LNG trucks can also be loaded for supply to industrial sites in Europe where pipeline supplies are not available.

Infrastructure



Fluxys: part of the Fluxys G group

Mission

As an infrastructure company operating on the North-Western European natural gas market, Fluxys G contributes to security of supply and the functioning of the market in that region by promoting cross-border natural gas flows and transfers.

In Belgium, Fluxys G builds and operates infrastructure for natural gas transmission, natural gas storage and terminalling of liquefied natural gas. To that effect, Fluxys and Fluxys LNG are appointed as independent system operators in Belgium. In view of their activities of general economic interest, both companies offer competitive tariffs and make investments to strengthen the role of the Fluxys grid as a natural gas crossroads for international gas flows in North-Western Europe.

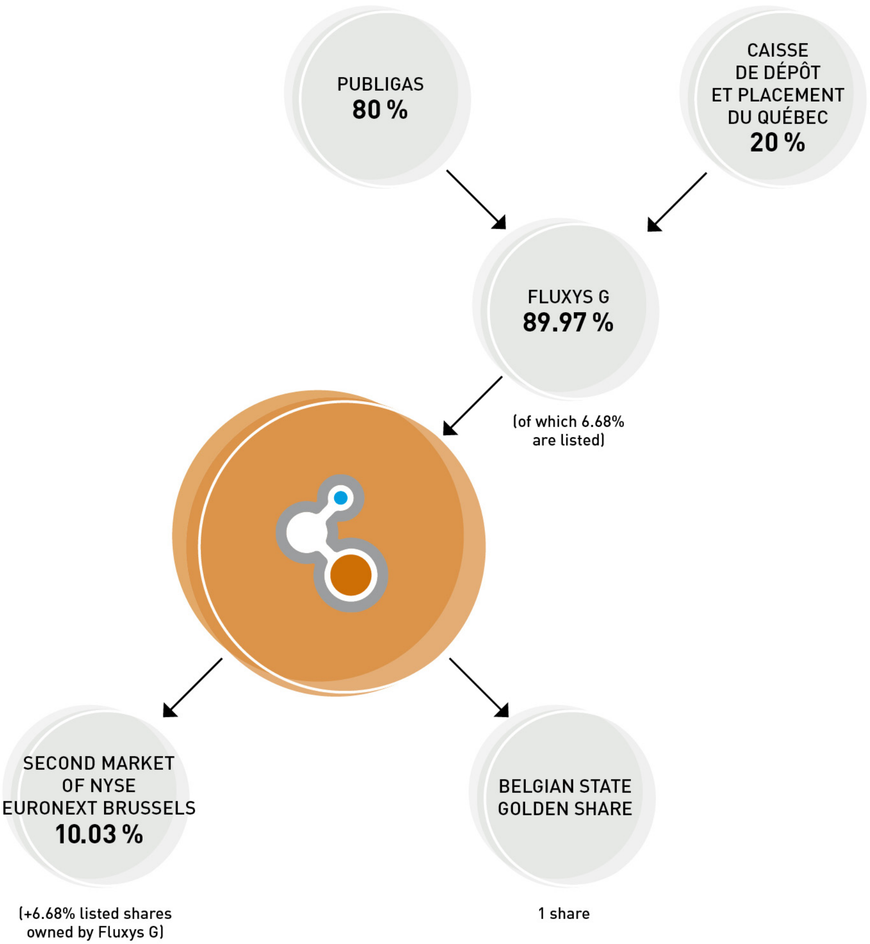
Elsewhere in North-Western Europe, Fluxys G develops a profitable set of industrial partnerships and stakes in natural gas transmission and LNG terminalling activities.

Safety, efficiency, sustainability and profitability are at the centre of our approach.

Vision

The natural gas transmission market in North-Western Europe is evolving towards a virtual cross-border unity. Fluxys Gwishes to play a key role in developing this integrating market into an efficient and cost-effective transmission system for suppliers to move natural gas flexibly from any border point in the region to their customers.

Shareholders



SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2011

Corporate bodies as at 14 March 2012

Board of Directors

Daniël Termont, *Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee*
Claude Grégoire, *Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee*
Marianne Basecq *
Sophie Brouhon *
Jean-Jacques Cayeman
Paul De fauw, *Chairman of the Audit Committee*
Caroline De Padt *
Hélène Deslauriers *
Mireille Deziron
André Farber *, *Chairman of the Corporate Governance Committee*
Luc Hujoel
Luc Janssens
Monique Lievens *
Patrick Moenaert
Walter Nonneman *
Josly Piette
Yves Rheault
Henriette Van Caenegem *
Christian Viaene, *Chairman of the Appointment and Remuneration Committee*
Luc Zabeau

François Fontaine, *federal government representative acting in an advisory capacity*
Walter Peeraer, *Chairman of the Executive Board and CEO, invited in an advisory capacity*

Nicolas Daubies, Legal Manager, acts as secretary to the Board of Directors.

** Independent directors under the provisions of the Gas Act.*

Strategy Committee

Claude Grégoire, *Chairman*
Daniël Termont, *Vice-Chairman*
Sophie Brouhon
Caroline De Padt
Luc Hujoel
Patrick Moenaert
Walter Nonneman
Yves Rheault

Christian Viaene, *observer acting in an advisory capacity*

François Fontaine, *federal government representative acting in an advisory capacity*
Walter Peeraer, *Chairman of the Executive Board and CEO, invited in an advisory capacity*

Nicolas Daubies, Legal Manager, acts as secretary to the Strategy Committee.

Audit Committee

Paul De fauw, *Chairman*
Marianne Basecq
Sophie Brouhon
Jean-Jacques Cayeman
André Farber
Yves Rheault
Henriette Van Caenegem

Nicolas Daubies, Legal Manager, acts as secretary to the Audit Committee.

Appointment and Remuneration Committee

Christian Viaene, *Chairman*
Marianne Basecq
Sophie Brouhon
Hélène Deslauriers
Caroline De Padt
Mireille Deziron
Luc Hujoel
Walter Nonneman

Anne Vander Schueren, Director Human Resources, acts as secretary to the Appointment and Remuneration Committee.

Corporate Governance Committee

André Farber, *Chairman*
Sophie Brouhon
Hélène Deslauriers
Luc Janssens
Monique Lievens
Henriette Van Caenegem
Luc Zabeau

Nicolas Daubies, Legal Manager, 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 vis-à-vis third parties, is the responsibility of the Executive Board, which has had the following composition since 1 January 2012:

- Walter Peeraer, Chairman of the Executive Board and Chief Executive Officer
- Pascal De Buck, member of the Executive Board and General Director Commercial
- Peter Verhaeghe, member of the Executive Board and General Director Asset Management
- Michel Vermout, member of the Executive Board and Chief Financial Officer

Since 1 January 2012, the Executive Board has been assisted by the following members of management, with whom they form an *Executive Committee*:

- Huberte Bettonville, Director Commercial Regulated
- Gérard Kimus, Director Planning & ICT
- Paul Tummers, Director Construction & Engineering
- Anne Vander Schueren, Director Human Resources
- Rafael Van Elst, Director Installations & Grid
- Carlo Van Eysendyck, Director Gas Flow Management

Nicolas Daubies acts as secretary.

ANNUAL REPORT 01

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 2011 for your company and those companies included in its consolidation scope and to submit for your approval the annual accounts for the period ending 31 December 2011.

There have been no subsequent events with a material impact on the financial statements as presented.

Declaration regarding the financial year ending 31 December 2011

We hereby attest that to our knowledge:

- Fluxys' financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit or loss and those of the companies included in the consolidation scope;
- the annual report gives a fair review of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 14 March 2012

Michel Vermout	Walter Peeraer
Member of the Executive Board	Chairman of the Executive Board
Chief Financial Officer	Chief Executive Officer

1.1. Key events

1.1.1. Results

Consolidated net profit: €122.1 million (2010: €247.7 million). The consolidated net profit for the period was €122.1 million, a decrease of €125.6 million compared to 2010. The main reasons for this decrease were the non-recurring items booked in 2010, namely:

- the sale of stakes by the group, generating a capital gain of €121,943 thousand;
- the additional €5,658 thousand in profit generated by the closure of the peak-shaving facility at Dudzele.

Dividend 2011: €6.66 net per split share. The proposed net dividend per share in 2011 is €666. If the proposal to split the share is accepted, the net dividend will be €6.66 per split share (see Shareholders' guide), consisting of €2.16 from the profit for the period and €4.50 from the distribution of reserves.

Ghislenghien victims compensated

Walter Peeraer: "As a public utility we make every effort to serve the general interest. Everybody at Fluxys was deeply affected by the human suffering caused by the Ghislenghien disaster. The fate of the victims and their need for quick and fair compensation was a central concern. Fluxys therefore originally made donations totalling €2 million to cover initial requirements. Since then, we have continued to work hard to reach a solution for compensating victims without waiting for the final verdict in the legal case. We are pleased that in early 2012 we were able to reach a settlement with the insurers for final compensation of the private individuals affected, marking an end to their cumbersome and lengthy proceedings."

In its ruling of June 2011, the Mons Court of Appeal found Fluxys to be co-responsible for the Ghislenghien disaster. Fluxys believes that the ruling contradicts established case law on liability. The ruling also sets a dangerous precedent, since safety during works in the vicinity of pipelines is the duty of all parties involved, not just the infrastructure operator. For that reason Fluxys has lodged an appeal in cassation. A verdict is expected by the end of the year.

1.1.2. Legal and regulatory framework

Europe: Third Package of legislative measures

Transposition into Belgian law. The Third Energy Package of legislative measures, in particular the Directive of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, has been transposed into Belgian law (Act of 8 January 2012 amending the Gas Act, which entered into force on 21 January 2012). This new legislation entails some major changes for Fluxys:

- The legislation provides for a certification procedure for operators of the transmission system, natural gas storage facilities and LNG terminalling facilities. The aim of this certification is to verify compliance with ownership unbundling requirements, i.e. the separation of operators from energy suppliers and producers. Fluxys meets these requirements and is preparing its certification in consultation with the Commission for Electricity and Gas Regulation (CREG).
- Alongside the certification procedure mentioned above, the Belgiuan procedure whereby operators of the transmission system, natural gas storage facilities and LNG terminalling facilities are appointed by ministerial decree remains in force. According to this procedure, on 23 February 2010 Fluxys was appointed as operator of the natural gas transmission system and of the natural gas storage facility, and Fluxys LNG as operator of the LNG facility.
- Another novelty is that CREG is responsible for developing the methodology used to determine the tariffs for natural gas transmission and storage and LNG terminalling, following consultation with the system operators (see p. 29). As before, CREG will remain the body that approves the tariff proposals put forward by operators.

European network codes. The European Network of Transmission System Operators for Gas (ENTSOG), in which Fluxys plays a leading role, is responsible for publishing a coordinated 10-year investment plan and has been tasked with drafting network codes in 12 fields. Each network code is to be based on framework guidelines compiled by the Agency for the Cooperation of Energy Regulators (ACER). The codes gain force of law in the Member States as soon as they have been approved by the relevant European bodies.

In March 2012, ENTSOG published its first network code, on capacity allocation, i.e. the set of rules and mechanisms for the allocation of capacity by system operators. ENTSOG plans to draw up the network code on transmission system balancing by the end of the year. In

2010, the European Commission identified tariffs and interoperability as new priority topics. There will be a network code for interoperability, for which ACER in February 2012 was tasked with drawing up the framework guidelines.

Amendments to the Regulation on infrastructure access conditions. Through a European Commission decision dated 10 November 2010, Chapter 3 of Annex I (transparency requirements) of the Regulation on conditions for access to the natural gas transmission networks was amended. Fluxys adapted its website in line with the amendments so that all the required technical information has been available since 3 March 2011. Data for all relevant parameters are now updated hourly and users can retrieve customised reports tailored specifically to their needs. Changes to Chapter 2 of Annex I (congestion management) are under preparation.

Shaping the European natural gas landscape

Fluxys has developed its natural gas infrastructure in Belgium into an efficient crossroads for international gas flows. System users can transport natural gas from all sources supplying the European market to our grid and can transmit it through our grid to all surrounding grids. They can also trade natural gas on the spot market and exchange it with other trading points in the surrounding markets. This crossroads function attracts a broad range of suppliers, strengthens security of supply and creates space for competition.

Walter Peeraer: "What we have achieved in our Belgian system anticipates the model which the European system should be moving towards – a model whereby producers and suppliers can supply natural gas to their customers flexibly from any entry point into Europe and can also exchange it between trading points on the internal market. As the Belgian transmission system operator, we are fully committed to making that European model a reality. We are working with other TSOs on specific projects aimed at bringing about this goal. At the same time, we are active at an overarching level to ensure maximum harmonisation of approach within Europe. We do this within the European Network of Transmission System Operators for Gas (ENTSOG) and EASEE-gas, which provides a platform for larger coordination within the natural gas industry."

Code of Conduct and regulatory documents

New Code of Conduct. The Code of Conduct sets out the conditions for access to the natural gas infrastructure. As well as rules that lay down the framework within which Fluxys and Fluxys LNG can offer contracts to users of the transmission, storage and LNG infrastructure, these conditions include rules governing the use of infrastructure by users.

The first Code of Conduct was established by the Royal Decree of 4 April 2003. From 2006 onwards, CREG organised a series of market consultations on changes to that code. On 15 January 2011, the Royal Decree of 23 December 2010 concerning a new Code of Conduct entered into force.

The new Code of Conduct stipulates that operators (transmission, storage and LNG terminalling) must compile a number of documents: access rules, service programmes, standard agreements and connection agreements. System users need to be consulted while the documents are being drafted to ensure that the services offered are tailored as closely as possible to market requirements. Only after that consultation can the documents be submitted to CREG for approval.

Compliance officer. Under the new Code of Conduct, system operators must also appoint a compliance officer to ensure that they fulfil the requirements regarding non-discrimination in terms of grid access. Fluxys has appointed such a compliance officer. In 2011, the compliance officer drew up a compliance programme setting out the practical rules to be observed by staff in relation to non-discrimination, transparency and the handling of confidential information. Fluxys' Board of Directors and Executive Board approved the compliance programme. A compliance report is established annually and the results are published on the Fluxys website.

New range of storage services. In accordance with the new Code of Conduct, Fluxys held a formal market consultation in April and May 2011 about the Standard Storage Agreement, the Access Code for Storage and the Storage Service Programme with a view to developing a new storage model. Market consultations on congestion management and capacity allocation through auctions were held in September and October 2011. After CREG decided not to approve the first version of the new regulatory documents on storage, Fluxys incorporated the regulator's comments into a new version, which CREG approved on 24 November 2011.

Introduction of a unified entry/exit system for transmission in late 2012. Following market consultations in 2010, Fluxys and CREG agreed to introduce by the end of 2012 a unified entry/exit system for the Belgian market, governing access to the Fluxys grid. Under the new system and for all transmission services, users will be able to book and use capacity in the Belgian grid more flexibly. System users, Zeebrugge Hub customers and companies connected directly to the Fluxys grid were consulted at length with respect to the development of the new system. In December 2011, Fluxys launched a market consultation on the Access Code for Transmission and the Transmission Service Programme. Taking into account the feedback received among other thins, Fluxys will draw up an amended proposal in consultation with CREG and submit it for approval in the second quarter of 2012.

The entry/exit system will go hand in hand with the introduction of the Zeebrugge Trading Point, where market players can choose from a range of products for market-based balancing and trading of natural gas on the spot market. Fluxys is working on this in partnership with APX-ENDEX. Grid users will be able, for example, to buy or sell gas on the APX-ENDEX market for the new Zeebrugge Trading Point to balance their gas flows in and out of the network. Fluxys as TSO will also be active on the APX-ENDEX if the overall balance of the network needs to be restored. The exchange will also enhance market transparency by providing clear price signals and a Zeebrugge Trading Point reference index for natural gas in Belgium.

Regulatory documents for LNG terminalling services. On 3 February 2011, Fluxys LNG launched a non-binding phase of its market consultation to assess the level of demand for additional capacity at the Zeebrugge LNG terminal. Against this backdrop, and in accordance with the new Code of Conduct, Fluxys LNG drew up proposals of new regulatory and contractual documents for LNG terminalling services (Standard Agreement, Service Programme and Access Code). In September 2011, a formal market consultation was held with the various market players. Taking into account the feedback received and the economic investment climate, Fluxys will draw up the necessary regulatory documents as a basis for launching the binding phase of the market consultation.

Market consultation about changes to the Standard Connection Agreement. In the framework of the new Code of Conduct, a new version of the Standard Connection Agreement was approved by CREG. The Standard Connection Agreement formalises the contractual relations between Fluxys and a company connected directly to the Fluxys grid. The agreement sets out the rights and obligations of both parties as regards the natural gas connection and is the same for all connected companies.

Fluxys tariffs among the lowest in Europe

All in all, the cost of Fluxys services accounts for just 2–3% of the natural gas bills of households and businesses in Belgium. That is partly because Fluxys tariffs for transmission, storage and LNG terminalling are among the lowest in Europe.

Peter Verhaeghe: “We have particularly competitive tariffs because we have developed our grid into a system for supplying Belgium and at the same time a crossroads for large international flows between natural gas sources and major end-user markets in the United Kingdom, France, Germany and Italy. That combination of transmission for the Belgian market and border-to-border transmission provides economies of scale, reducing unit cost. On top of this, we strive to achieve a very high level of efficiency in our investment expenditure and keep a close track of our operational expenditure. At the same time, our commercial efforts are geared towards ensuring that as much available capacity as possible is booked.”

Tariffs

Transmission tariffs adjusted. In March 2011, the Brussels Court of Appeal annulled the CREG decision of December 2009 on the regulated transmission tariffs as regards the specific entry tariff with compression for the border points of 's-Gravenvoeren, Zelzate 1 and Hilvarenbeek/Poppel. In the wake of this decision, CREG approved a new regulated tariff in June 2011 which was in force from 1 May 2011 until the end of the regulatory period on 31 December 2011. In the new tariff, the specific entry tariff with compression was scrapped and the compression costs were included in the transmission tariff.

2012-2015 transmission and storage tariffs approved. On 22 December 2011, CREG approved the storage and transmission tariffs submitted by Fluxys for the regulatory period from 2012 to 2015. The new tariffs remain among the lowest in Europe.

Security of supply in Europe

Regulation on security of supply. On 20 October 2010, a Regulation was published concerning measures to safeguard security of gas supply. Among other things, this Regulation makes provision for solidarity mechanisms between EU Member States to ensure that countries support each other in the event of a supply interruption to protected end-users. The competent authorities in each Member State must conduct a risk analysis of the supply situation and must compile a Preventive Action Plan and an Emergency Plan in consultation with neighbouring countries. In 2011, the Federal Public Service (FPS) Economy compiled an initial risk analysis. The European Commission will compare the risk analyses of the various countries and examine their compatibility.

Stakeholders invited to provide feedback on Gas Regional Investment Plan. In November 2011, the North-Western European gas transmission system operators adopted their Gas Regional Investment Plan 2011-2020 (NW GRIP). It is the first edition of this regional plan on long-term gas infrastructure development and provides shippers with an outlook on potential new capacities as it gives an overview of future TSO projects with an impact on capacity, either at the internal borders within the region or at interconnection points where gas is directly imported from outside the EU.

The Gas Regional Initiative Northwest unites 15 gas TSOs in nine countries: Belgium, Denmark, France, Germany, Republic of Ireland, Luxemburg, the Netherlands, Sweden and the United Kingdom.

1.1.3. Development of activities

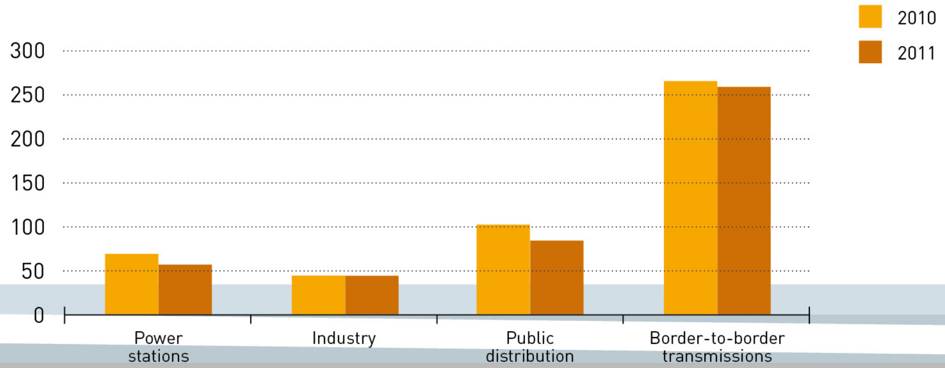
Transmission

Transmission volumes. In 2011, Fluxys transported 8% less natural gas in its grid than in 2010. Volumes transmitted for consumption on the Belgian market fell by 15%, while volumes transported for other markets declined by just 3%.

As regards the energy transported for consumption on the Belgian market (183 TWh, compared with 215 TWh in 2010), industrial consumption remained stable but mild temperatures and reduced consumption by power stations led to a fall in overall consumption.

- Offtake from the Fluxys grid by distribution system operators (accounting for 45% of offtake in Belgium), who distribute natural gas from the Fluxys network to SMEs and households, was down 19%. This decrease was mainly triggered by the unusually mild winter. In 2011, there were 1,955 degree days (indicator for heating requirements), compared with 2,700 in 2010 and an average of 2,295 over the past 20 years. Although offtake by distribution system operators fell sharply in 2011 compared with 2010, there was a large increase in the number of heating customers (up by 60,000 in 2011). More than half of all homes are now heated with natural gas.
- Power stations (29% of offtake in Belgium) consumed 20% less, bringing their offtake back to 2007 and 2008 levels. The period from the second half of 2009 to the end of 2010 saw a particularly high level of gas-fired electricity generation. However, due to changes in gas price on the short-term market, the difference between the cost of natural gas and the electricity sale price was too small for the use of gas-fired power plants to be profitable.
- Consumption by industrial companies directly connected to the Fluxys grid (26% of offtake in Belgium) was almost equal to that of 2010. Industrial consumption was higher in the first half of the year but fell again towards the end of the year, reflecting the economic slowdown in that period.

At 260 TWh, volumes transmitted to other countries fell slightly in 2011 (down 3%) compared with 2010 (268 TWh). Given the decrease in volumes for consumption on the Belgium market, the stability in the volumes for border-to-border transmission confirms that the Belgian grid plays an increasingly important role as a natural gas crossroads in North-Western Europe.



TRANSPORTED VOLUMES IN BELGIUM (IN TWH)

Sale of capacity. Like Belgium, neighbouring countries recorded a drop in natural gas consumption. Despite this decrease, Fluxys was able to keep up the level of border-to-border capacity it sold thanks to a proactive approach in selling short-term capacity.

Record consumption in Belgium. The prolonged cold snap in early February 2012 saw a rapid succession of record highs in natural gas consumption on the Belgian market. On 2 February, natural gas consumption in Belgium hit a record high of 1,131 GWh, over 5% more than the previous record set on 8 January 2010. The following day saw that new record tumble, with consumption reaching 1,164 GWh. This was topped on 7 February by yet another new record of 1,180 GWh. These unprecedented levels of consumption were primarily attributable to the offtake from public distribution systems, which distribute natural gas to households and SMEs. On the record consumption days, Fluxys transmitted eight times more natural gas for public distribution than on the hottest days of 2011. For several consecutive days, send-out from the Loenhout storage facility was increased to record flow rates to help ensure uninterrupted supply to all end-users.

In the same period, neighbouring countries also experienced a cold snap, along with record levels of natural gas consumption. Thanks to the flexibility of its infrastructure, Fluxys made a substantial contribution to security of supply and electricity generation in those countries as well.

Number of transmission customers up. As at 1 January 2012, 35 system users held a supply licence for domestic transmission. Of these, 16 booked capacity on the Fluxys grid, as compared with 14 the previous year. The number of border-to-border transmission customers was around 50.

Entire Opwijk-Eynatten pipeline in service. In early 2010, Fluxys started works to lay a new natural gas transmission pipeline between Opwijk and Eynatten (Raeren) on the German border. The new pipeline significantly enhances security of supply and is yet another step in opening up the Belgian grid to natural gas from as many sources as possible. The pipeline has been commissioned progressively, and the last phase of the project – restoring the land used to its original condition – will be completed in spring 2012.

Dunkirk-Zeebrugge link. Fluxys is also preparing to build a link between Dunkirk and Zeebrugge, with a new interconnection point between France and Belgium in Alveringem and a pipeline from Alveringem to Maldegem to link the new interconnection point with the Zeebrugge area. The project is a continuation of the new LNG terminal due to be built in Dunkirk, a project initiated by Electricité de France and involving Fluxys' parent company Fluxys G and Total. The new infrastructure will allow an additional 219 GWh of natural gas to be transported daily to Zeebrugge, which will significantly enhance natural gas trading and market liquidity.

The project is also a first in Europe. Not only does it require close cooperation between national regulators and between the system operators concerned, namely Fluxys and GRTgaz, but Fluxys will also be the first in Europe to offer cross-border capacity from Dunkirk in France to Zeebrugge and the future virtual trading point in Belgium.

In 2011, Fluxys began preparations for the permitting procedures and contacts in order to factor in local or specific requirements in due time and have the new infrastructure ready by the scheduled commissioning date of the Dunkirk LNG terminal in 2015. The Flemish government gave its backing in principle to the project in January 2012.

Stepping up Zeebrugge's crossroads role

Zeebrugge is a key area within the Belgian and Western European grid. As well as harbouring an LNG terminal, it is directly connected to Norwegian and UK natural gas sources. Moreover, the bidirectional transmission axis between the UK, the Netherlands and Germany links Zeebrugge to the UK's National Balancing Point, the most liquid spot market in Europe, as well as to the Dutch and German spot markets. Downstream, grid users have optimum flexibility in the destination for their natural gas: from Zeebrugge, they can deliver it on the Belgian market, store it at Loenhout or move it to any market in Western Europe.

Pascal De Buck: "Zeebrugge has all the assets needed to expand the area into one of the most important entry points of the future integrated European grid. We will further enhance flexibility for grid users through our new entry/exit model and by opening up other sources to Zeebrugge, for example through a new connection to attract flows from the future LNG terminal in Dunkirk. We are also working with our sister companies in Germany and Switzerland to examine the investments required to transport substantial quantities of natural gas from Zeebrugge to other markets."

Permitting procedures for transmission axis to Luxembourg. In June 2009, Fluxys launched a market consultation to assess demand for additional long-term transmission capacity to Luxembourg. By late February 2010, Fluxys had received firm capacity bookings from interested system users totalling 172,000 cubic metres per hour per year for the period 2015-2025. As a result, the existing pipeline between Ben-Ahin and Bras on the transmission axis to Luxembourg is to be upgraded to accommodate more capacity. The work is scheduled for 2012.

Gas quality adjustment project. The diversity of natural gas sources for the North-Western European market entails a wide variation in natural gas composition. To ensure compliance with the criteria agreed with grid users, the gas quality is adjusted by adding nitrogen. Fluxys already offers this service at the LNG terminal, but it also plans to provide a nitrogen injection point at the Inner Port in Zeebrugge. The new injection point is necessary in order to increase the options for combining natural gas flows in the new entry/exit model. To this end, the liquid nitrogen (LIN) storage tank at the former peak-shaving facility will be brought back into service. Liquid nitrogen can be regasified there and transported by pipeline to the injection point, where it will be blended with natural gas within set limits. According to the current schedule, the new service will be launched in late 2012 alongside the new entry/exit system.

Closer cooperation with other grid operators. Since 2009, Fluxys has been exploring the options for enhancing mutual cooperation with neighbouring transmission system operators in the Netherlands, France and Germany.

- In April 2011, Fluxys and Gasunie decided to examine the development of joint services for the North-Western European gas infrastructure market.
- In 2009, Fluxys and GRTgaz developed **cap**square, an electronic platform allowing grid users to buy and sell capacity on the secondary market. 2011 saw the platform significantly expand its offer to include primary-market capacity, which elicited a positive response from the market. **cap**square is proving to be a powerful tool for linking markets:
    - Since mid-September, the platform has been offering a bundled Fluxys and Open Grid Europe product comprising day-ahead capacity between the Zeebrugge Hub in Belgium and the virtual trading point of NetConnect Germany (NCG VTP).
    - In response to market demand, GRTgaz and Fluxys have extended their offer of bundled capacity between the Zeebrugge Hub in Belgium and PEG Nord in France. Since 1 December 2011, market participants have been able to book not only monthly bundled capacity but also bundled day-ahead or weekend capacity.
    - The platform also offers a bundled GRTgaz and GRTgaz Deutschland product comprising capacity between PEG Nord in France and the virtual trading point of NetConnect Germany (NCG-VTP).

Storage

Long-term contracts for storage at Loenhout. Until recently storage capacity in Belgium could only be booked on a yearly basis and and had to be allocated in priority to system users supplying the Belgian market. In spite of very sharp tariffs for capacity at the Loenhout facility, both rules limted the attractiveness of the facility in the context of competition with short-term markets and other storage facilities in North-Western Europe.

The Gas Act has been adapted with regard to storage in line with the new EU Regulations on access to the networks and security of supply. Long-term contracts are now a possibility, and the previous priority given to system users supplying the Belgian market has been replaced by a requirement for storage facility users to make natural gas and/or capacity available for protected consumers in Belgium in the event of an emergency.

Loenhout storage capacity expansion completed. Fluxys has sold 700 million cubic metres of storage capacity for the storage season 2011-2012. Over a four-year period (2008-2011), storage capacity at Loenhout was gradually increased from 600 to 700 million cubic metres in stages of 25 million cubic metres per year.

Successful sale of long- and short-term storage capacity. In accordance with the new regulatory documents for storage (see p. 26), Fluxys published a subscription window for long-term storage in November-December 2011. With overall demand for long-term storage totalling 600 million cubic metres, the entire capacity on offer (400 million cubic metres) was sold for the maximum period of 10 years as of storage year 2012-2013.

On 25 January 2012, Fluxys successfully auctioned all of its short-term storage capacity on offer. A total of 280 million cubic metres of storage capacity was available for yearly contracts covering storage year 2012-2013. This auctioning of capacity was a first for Fluxys. The auctioning mechanism and overall approach were developed in close consultation with the community of system users and Belgian federal energy regulator CREG.

Upon closing of the auction, all available storage capacity on the primary market for storage year 2012-2013 had been sold. Any capacity available on the secondary market is offered on a bulletin board via the Fluxys website.

Late 2012: new entry/exit model tailored to the future

Fluxys is working with Belgian energy regulator CREG and market players to switch to a new entry/exit market model for transmission services in the Belgian grid by the end of 2012. The new model is fully in line with the blueprint envisaged by the European Union and offers full flexibility to grid users.

Pascal De Buck: "Under the new entry/exit model, customers will find their gas on a virtual trading point as soon as they have brought it into the Belgian grid, and from the virtual trading point, they can give it any destination they wish. In other words, they will be able to book and use their capacity with complete flexibility. To be able to offer that flexibility, Fluxys is investing heavily in capacity expansions at the compressor stations in Berneau and Winksele. This new model also makes it easier for industrial companies and power stations directly connected to our grid to buy or sell their natural gas themselves at the virtual trading point. In addition, the new model will facilitate cooperation with neighbouring system operators and the development of a common range of services."

LNG terminalling

80 carriers berthed at LNG terminal. 2011 was a particularly busy year for the LNG terminal in Zeebrugge: a total of 70 carriers unloaded LNG compared with 71 in 2010, and 10 carriers were loaded compared with six the previous year. The 70 unloaded vessels brought in a total of 4.45 million tonnes of LNG (67,806 GWh) mainly from Qatar, but also from Yemen, Nigeria and Trinidad.

The standout month was May, with 11 unloaded LNG carriers bringing approximately 1.7 million cubic metres of LNG (40.8 million MWh), i.e. around 27% more than the total volume unloaded in the previous record month of August 2010.

The high number of unloadings made the volumes of natural gas sent out by the Zeebrugge LNG terminal hit record highs, triggering more intensive use of transmission capacity in the Fluxys grid and increased activity on the Zeebrugge Hub. However, since all the capacity at the terminal is subscribed to through long-term contracts, the extra activity has not affected the group's financial results.

Since commercial activities at the LNG terminal began in 1987, 1,268 ships have been unloaded, delivering a total of 72.7 million tonnes of LNG (1,098 TWh). Since the LNG loading service was launched at the terminal in August 2008, a total of 26 ships have berthed for loading.

Additional flexibility source. The entire capacity of the LNG terminal is subscribed through long-term contracts on the primary market. If the berthing schedules of ships under these contracts leave sufficient time between two unloadings, Fluxys may offer an additional slot on the primary market during that available period. In 2011, 16 additional slots were created and offered in this way.

Where LNG terminal users do not use the slots on the primary market reserved for them under their respective contracts, those slots are made available on the secondary market. In 2011, 26 slots were offered for sale on the secondary market.

Second jetty at LNG terminal. A second jetty is to be built at the Zeebrugge LNG terminal by the end of 2014. LNG ships with capacities ranging from 3,500 to 217,000 cubic metres will be able to berth at the jetty. The Zeebrugge Port Authority began work on the underwater structure in September 2011. According to the current schedule, once construction of the underwater structure has been completed in late 2012, Fluxys will be able to start building the superstructure in order for the jetty to be ready by the end of 2014.

Q-Max LNG carriers. Since September 2011, Q-Max type LNG carriers have been able to unload and load LNG at the LNG terminal. These are the largest LNG carriers in existence with a loading capacity of 266,000 cubic metres.

Truck loading a success. Since June 2010, trucks as well as ships have been able to load at the Zeebrugge LNG terminal, and a number of test loadings have taken place. A total of 65 transports were carried out in November and December 2011, and 2012 is set to see an upsurge in interest. For the time being, most of the LNG has been bound for the UK, the Netherlands and Germany. One of the most unusual destinations was the inland barge *Argonon*, which uses LNG as a fuel and made its first trial voyage in the port of Rotterdam in late November.

1.1.4. Investment in 2011

Indicative investment programme 2012-2021

Fluxys' indicative investment programme 2012-2021 currently amounts to a little over €1.5 billion. The programme contributes to, and also takes account of, the Ten-Year Network Development Plan drawn up at European level by ENTSOG based on analyses by the relevant transmission system operators. Fluxys' indicative investment programme has sufficient in-built flexibility for the company to be able to react rapidly to evolutions in a changing market and thus to avoid unnecessary investment.

The indicative investment programme is governed by the following key objectives:

- maintaining the security, integrity and reliability of the infrastructure;

- opening up the grid to as many natural gas sources as possible to ensure maximum diversification, thus contributing to security of supply and effective market functioning;
- making new capacity available to cover the expected evolution in demand for domestic transmission capacity, primarily in the energy sector;
- strengthening the role of the Fluxys grid as a crossroads for international natural gas flows in North-Western Europe by making additional border-to-border capacity available as agreed with system users via long-term contracts;
- moving towards a virtual trading point for the Belgian market in a uniform entry/exit system (see p. 36);
- increasing capacity and availability at the Loenhout underground natural gas storage facility;
- systematically reducing the environmental impact of the company's activities.

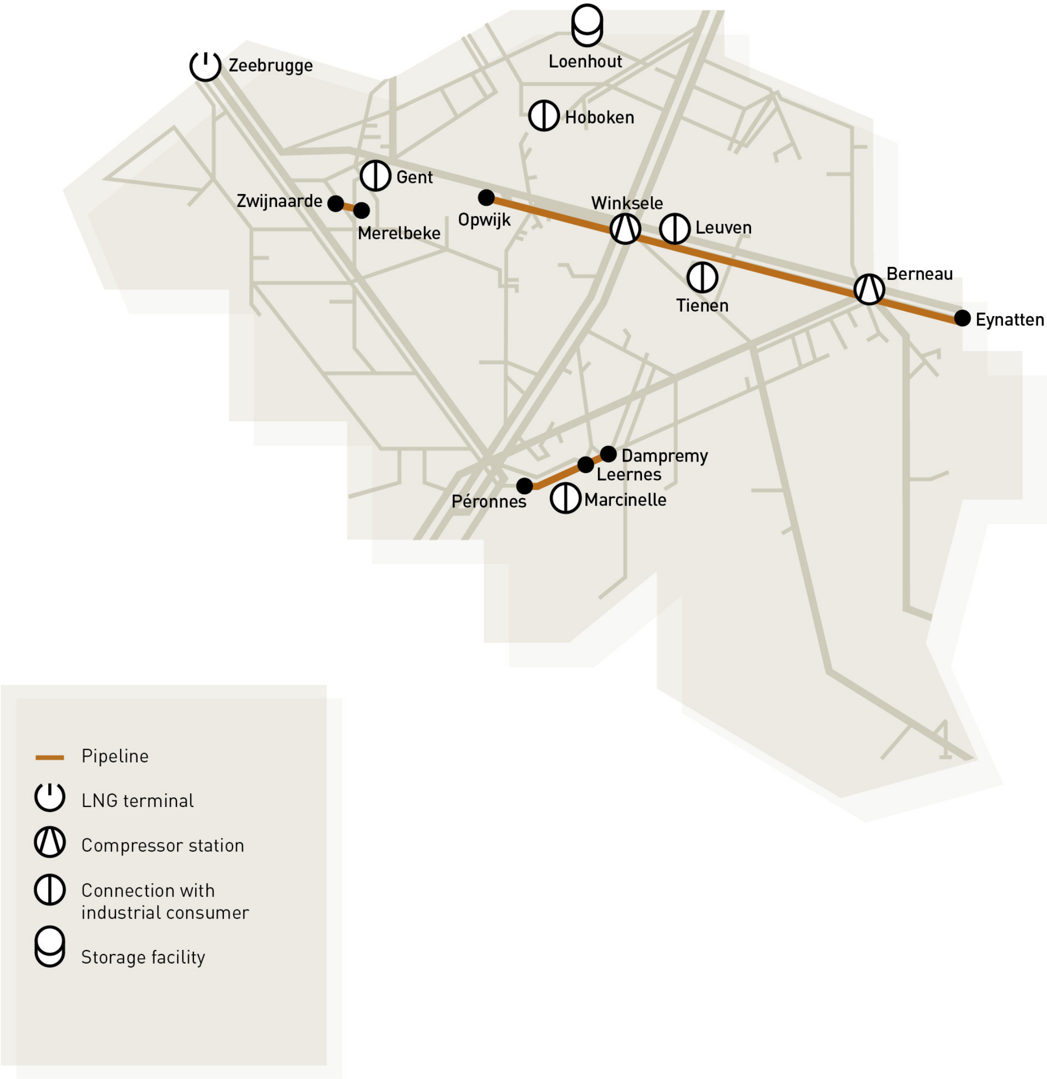
Investment financing: a sound, solid structure

Fluxys invests substantial amounts in Belgium on an ongoing basis. In line with the regulatory guidelines applying to its activities, financing for its investment programme must be based on a balance between equity and borrowed funds, so as to keep tariffs as competitive as possible while optimising the return on invested capital. That is why the company proposed to its shareholders, now that all the uncertainties relating to the regulatory framework have been removed, to use its substantial liquidity in order to reimburse part of its reserves and to issue a new bond loan with a view to safeguarding financing of its short- and medium-term investment plan. Given its pay-out policy, Fluxys will continue to have recourse to the financial markets to cover its long-term needs.

Michel Vermout: "The financial markets and banks in particular, are still a long way from regaining the confidence and dynamism that prevailed a few years ago in supporting the economy. Nevertheless, the bond market still has some appetite for Fluxys paper, due to the large volume of saving liquidity to be invested, the quality of Fluxys as issuer and the predictability of the cash flows generated by its regulated activities. Given the current level of interest rates, it therefore seemed a very good idea for our company to tap the bond market in the first half of 2012."

2011: €253 million of investment in infrastructure

In 2011, Fluxys implemented infrastructure investment projects in Belgium totalling € 253 million. Of this amount, 87.1% went on transmission projects, 8.4% on storage projects and 4.5% on LNG terminalling projects.



Laying of new pipelines

Merelbeke-Zwijnaarde. The pipeline between Merelbeke and Zwijnaarde was rerouted over a distance of more than 5 km to allow a tramline to be extended in 2012. The newly rerouted pipeline provides a better supply to the distribution system operator Imewo in Zwijnaarde.

Péronnes-Leernes-Dampremy. In 2010, Fluxys began work in the La Louvière and Charleroi region to lay a new 27-km pipeline between Péronnes and Damprémy via Leernes to connect Marcinelle Energie's power station in Marcinelle. The pipeline came on stream in 2011.

Works at compressor stations in connection with the new entry/exit model and North/South capacity

Berneau. Since 2010, work has been under way on a project to build additional compressor facilities at the compressor station in Berneau. These upgrade works will extend the options for combining gas flows on the East/West and North/South axes and also fit in with, inter alia, the transition to an entry/exit system and the introduction of a virtual trading point. The aim is to bring the additional compression into service in late 2012. Work is also under way at the compressor station to replace two existing compressors on the 's-Gravenvoeren-Blaregnies pipeline.

Winksele. The compressor station at Winksele lies at the crossroads of major North/South and East/West transmission axes. The existing station serves to maintain pressure levels in the North/South pipeline. Due to increasing demand for capacity for both the domestic market and border-to-border transmission, it was decided to build compressor facilities in Winksele for the East/West transmission axis as well. In this way, capacity can be enhanced on both the East/West and North/South transmission axes. The aim is to commission the new compressor facilities in late 2012.

Work has also been carried out at the existing compressor station, where a new administrative building has been erected.

Works at the LNG terminal in Zeebrugge

Construction of an open rack vaporiser. The regasification facilities at the LNG terminal are being supplemented with an open rack vaporiser (ORV). The heat of the seawater will be used to regasify LNG into natural gas. This will considerably reduce energy consumption as well as substantially lowering carbon and nitrogen oxide emissions. Fluxys began the preparatory work in autumn 2010 and the components of the future ORV were delivered in spring 2011, allowing construction work to begin. The aim is to commission the ORV in the autumn of 2012.

Underwater structure of second jetty. Against the backdrop of the market consultation on additional capacity at the LNG terminal, the Board of Directors approved the construction of a second jetty. In September 2011, the Zeebrugge Port Authority began work on the underwater structure. The new jetty is scheduled to enter into service in 2014.

Works at the Loenhout storage facility

Since 2007, Fluxys has been carrying out enhancement work to gradually increase the workable storage capacity at Loenhout from 600 to 700 million cubic metres and to expand the injection and sendout capacities. Since 2008, 25 million cubic metres of additional workable storage capacity has been created by the winter of each year, resulting in a total of 700 million cubic metres of workable storage in 2011. Fluxys expects the work to be completed by autumn 2012. Work is also being carried out at Loenhout to ensure continued safety and integrity of the facilities.

Developments in the industrial segment

At the end of 2011, the Fluxys grid comprised 245 direct connections with industrial end users, power stations and cogeneration facilities. During the course of the year, four new connections were added and an additional receiving station was built for one customer:

- Blankedale – a sheltered workshop with over 700 employees – was connected in Tienen.
- In Marcinelle, the power plant of Marcinelle Energie was connected.
- Beer producer AB-InBev was connected in Leuven.

- Baxter's laboratory was connected in Lessines.
- The Umicore precious metals plant in Hoboken built a new gas receiving station, which Fluxys subsequently connected.

A total of 31 of the industrial end-users switched supplier.

Pressure-reducing stations for distribution system operators

2011 saw Fluxys carry out alterations at various existing pressure-reducing stations. For example, the Court-Saint-Etienne station, which supplies distribution system operator Sedilec in Mont-Saint-Guibert, was expanded. Natural gas consumption in that part of Walloon Brabant is expected to increase in the coming years. The new facilities were commissioned in early September 2011.

Major socio-economic contribution in Belgium

Fluxys employs over 1,000 people whose day-to-day work is of vital importance to Belgium's socio-economic fabric. After all, natural gas accounts for a quarter of the country's primary energy consumption. In addition, the company's investment policy generates a significant amount of indirect employment, while international gas flows boost Belgium's balance of trade and a substantial part of the operating revenue flows back into the community.

Michel Vermout: "Over the past five years, Fluxys has invested €1.2 billion in Belgium, with up to 1,000 supplier and contractor staff working for the company at certain periods. We also contribute directly to Belgium's balance of trade: in our day-to-day activities, around 60% of our revenue comes from foreign companies that use our infrastructure to move natural gas via Belgium to other end-user markets. We have also paid approximately €400 million in tax over the past five years. And in the same period Belgian municipalities have received €350 million in dividends."

1.1.5. Research and development

Applied research. Fluxys runs various applied-research projects and works closely with the *Association Royale des Gaziers Belges* (ARGB/KVBG, 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 European Association for the Streamlining of Energy Exchange – Gas (EASEE-gas) and Marcogaz, the Technical Association of the European Natural Gas Industry.

Metrology

- A new metering technology known as ultrasonic metering has emerged. It has many advantages. Tests carried out since 2009 at the metering station in Ramskapelle made it possible to compare the metrological performance of ultrasonic meters with that of turbine meters. These tests confirmed that the measuring accuracy of the two metering technologies was similar. In early 2012, Fluxys decided to equip the Blaregnies border station with ultrasonic meters placed in series with turbine meters.
- In the context of environmental activities, a working group has been set up to establish an international standard for the measurement of methane (CH_4). It examines which methods are suitable for measuring emissions on natural gas transmission systems. A similar working group has been established for NO_x.
- In 2011, Fluxys carried out tests using a laser molecular assessment system to detect and measure natural gas released into the air. The lasers are fitted to a helicopter which flies over the pipeline route. The tests having proved the technology to be extremely accurate, the system will be added to the range of gas detection methods in 2012 and will also enter operational use.

Condition of pipelines and installations

- Fluxys is taking part in comparative tests involving acoustic detection of shocks on pipelines. Acoustic detection could help to detect damage to pipelines caused by third parties. The results of the international pilot project being led by Fluxys have been so good that Fluxys is to install the system on a number of pipelines from late 2012.
- Fluxys also completed the study to investigate a new method of protecting pipelines from corrosion induced by stray alternating current, for instance in the vicinity of high-voltage power lines. A report will be produced in 2012.

- 2011 saw Fluxys complete its project to assess pipeline coating. The study compared the polyethylene routinely used at present with fusion bounded epoxy, specifically in terms of durability, flexibility and resistance to corrosion. It found that traditional polyethylene is still the preferred option in the current circumstances.
- Fluxys is taking part in the inspection of two decommissioned concrete LNG tanks in Barcelona. The aim of the inspection is to ascertain the condition of the concrete after years of use. It is the first study of its kind in the world.
- In 2011, Fluxys embarked on a multi-year programme to assess the level of corrosion of pipelines that cannot be inspected using an 'intelligent pig'. The methodology used is based on NACE International Standard Practice SP0502-2008 (Pipeline External Corrosion Direct Assessment Methodology).
- Fluxys is working on a method for determining the theoretical risk of a deterioration in the integrity of a pipeline segment based on various quantitative parameters. Among the parameters considered are the age, location and thickness of the pipeline and various environmental factors.

Green gas

- Fluxys is taking part in a study examining the injection of biogas into the natural gas pipeline network. Biogas is gas produced from waste and it has many similarities to natural gas. The study aims to determine what composition the gas must have in order to be able to be injected into the pipeline network, and what the exact impact will be of blending it with natural gas. Ultimately, the results will provide the basis for a European biogas standard.
- On the impulse of Fluxys and in partnership with federations and interested companies from the automotive and gas industries, the association CNGdrive was launched to promote the use of CNG (compressed natural gas) and LNG (liquefied natural gas) in vehicles in Belgium. Significantly lower harmful emissions than petrol and diesel, an almost total absence of harmful particulate emissions, quieter engines with reduced vibrations and cheaper prices at the pump all combine to make CNG the perfect fuel for vehicles. Fluxys is also supporting the European Blue Corridor project, which promotes the development of corridors with LNG filling stations for long-distance heavy-duty vehicles. In Belgium, this has resulted in the Blue Cargo scheme looking into developing LNG filling stations at the ports of Zeebrugge, Ghent and Antwerp. Blue Cargo is an initiative of Drive Systems, supported by Volvo Trucks, Flanders Smart Hub and VITO.

Exchange of operational data

With a view to optimising the exchange of operational data between natural gas companies, cooperation at European level aims to enable secure and standardised data exchange within the gas sector.

- Fluxys is helping to compile international protocols and standards regarding electronic data exchange between natural gas companies.
- In 2011, a new version of the Edig@s protocol was developed to support gas trading, gas transmission, grid balancing and handling of gas transactions.

ICT applications for customers

In 2011, Fluxys continued to develop and refine ICT applications for customers. The most important project was adapting the various operational and commercial systems to the entry/exit model to be launched in 2012. The model reflects changes in the European gas market and has major implications for Fluxys' ICT processes. The main changes relate to the commercial system and the simulation software for available transmission capacity. For the latter process, an algorithm has been developed and implemented.

Natural gas to be used as fuel for cars and ships

If Europe wants to meet its targets to drastically reduce greenhouse gas emissions, minor revolutions will be needed in power generation and transport. In both sectors, natural gas offers specific benefits that can help to achieve this: natural gas for electricity production, compressed natural gas (CNG) for fuelling cars and liquefied natural gas (LNG) for ships and long-distance road transport. Moreover, this can be done using technology that already exists today.

Peter Verhaeghe: "Driving a CNG-powered car cuts CO_2 emissions by over a quarter compared with diesel. What's more, you produce virtually zero particulate emissions, it is cheaper and the autonomy is excellent. Worldwide, 10 million cars are already running on CNG; why should Belgium stay behind? That is why Fluxys is working with other partners to introduce CNG here as well. The alternative for ships and long-distance heavy-duty vehicles is LNG. In these areas too, we are engaged in preparatory studies and initiatives: for example, with the Flemish government and port authorities we are examining the options for supplying ports with LNG and we are also involved in the Blue Cargo initiative aimed at developing LNG filling stations for HDVs in the ports of Zeebrugge, Ghent and Antwerp."

1.2. Financial situation

1.2.1. Fluxys group – 2011 results (IFRS)

Foreword: tariff uncertainties 2008 and 2009 lifted

As you will recall, the accounts for 2008 and 2009 were drawn up in a regulatory environment in which there were major uncertainties about recognition of the results of Fluxys' activities and about the final value of the border-to-border gas transmission business of Distrigas & C° acquired from Distrigas in 2008. The shareholders at that time, SUEZ-Tractebel and Publigas, provided Fluxys with a guarantee of €250 million to cover the uncertainty involved in the valuation of that business. Following SUEZ-Tractebel's sale of its stake in the company, Publigas and Caisse de dépôt et placement du Québec took over the guarantee in full, with their proportions of the guarantee determined in proportion to their respective stakes in the capital of Fluxys' parent company, Fluxys G.

As all parties in 2011 have renounced the pending appeals before the Court of Appeal and the Belgian Council of State, the tariff settlements for 2008 and 2009 become definitive with CREG's approval.

These tariff settlements bring the definitive value of the border-to-border transmission activity of Distrigas & C° at € 282 million, which is lower than the agreed value of € 350 million and which induces the right to appeal to the guarantee of shareholders for an amount of € 68 million, based on the Indemnisation Agreement of 1 July 2008. This evaluation has been submitted to a committee of independent directors of Fluxys which has delivered a positive advice early 2012.

The removal of those uncertainties and the payment of the revised price by the shareholders led to a reduction in the value of Fluxys' intangible assets that have been recognised provisionally in its accounts since 2008; this enables the company to recoup the provisions and debts entered into to cover the underlying regulatory risk.

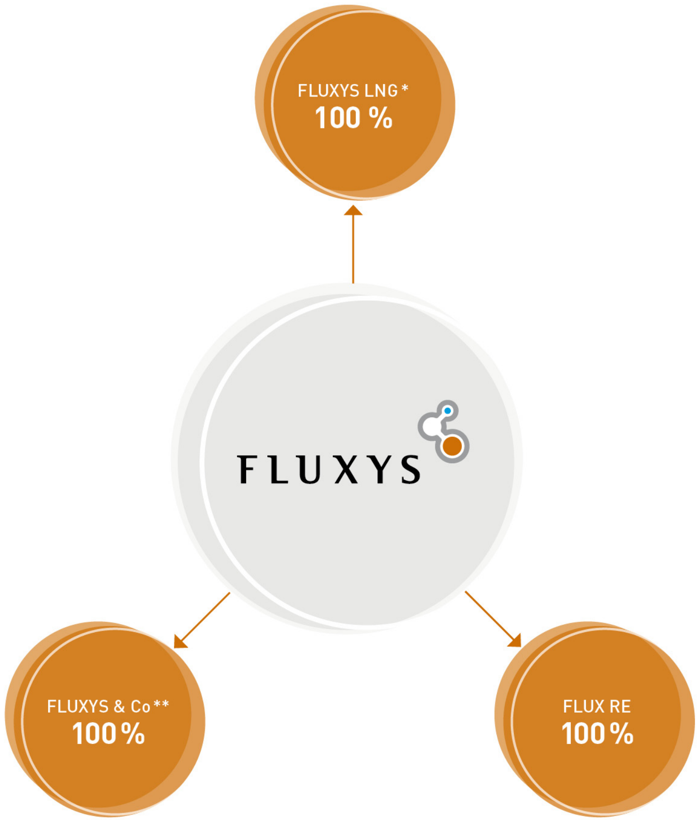
In view of the simultaneous reversal of deferred tax liabilities and the inclusion of income tax payable, the final settlement of these disputes had zero impact on the net result of the company:

		In thousands of € (IFRS)
Turnover	A	65,993
Impairment losses on intangible assets	B	- 234,572
Reversal of provisions for contingencies and charges	C	168,579
Total impact on the result from continuing operations		**0**
Income tax payable for A and C		- 79,731
Reversal of deferred tax liabilities for B		79,731
Total impact on the result for the period		**0**

Since deferred taxes are not recognised in the non-consolidated accounts, the impairment losses in the Fluxys NV/SA accounts total €154,841 thousand, and their impact on the net result is also zero.

Although equity was not affected either, this development led to a considerable reduction in the balance-sheet total, both in the company accounts and in the consolidated financial statements.

Consolidation scope



FLUXYS SA SUBSIDIARIES

Consolidated companies

* Fluxys RE holds 1 share in Fluxys LNG

** Huberator SA holds 1 share in Fluxys &Co.

Changes in the consolidation scope. The extraordinary general meetings of Fluxys NV/SA (on 10 May 2011) and of its wholly-owned subsidiary Guimard NV/SA (9 May 2011) decided that Guimard should be absorbed by Fluxys NV/SA. Guimard was the owner of the building used by Fluxys for some of its central services. The simplified merger was part of the restructuring of the Fluxys group carried out in 2010. The transaction has no impact on the consolidated financial statements.

Restructuring of the Fluxys group. In September 2010, the Fluxys group was restructured. The subsidiaries Fluxys Europe, Huberator and GMSL, which were sold on 30 September 2010, continued to contribute to the consolidated profit from ongoing business activities in the first nine months of 2010, to the tune of €21 million. This needs to be taken into account in comparisons between the two years. Fluxys and its subsidiaries are controlled by Fluxys G.

Summary consolidated income statement

Summary consolidated income statement	In thousands of €	
	31-12-2011	31-12-2010
Revenue	709,857	657,715
Other operating revenue	11,427	11,488
Consumables, merchandise and supplies used	-39,128	-34,262
Miscellaneous goods and services	-139,653	-144,091
Employee expenses	-131,028	-119,881
Other operating expenses	-9,174	-39,165
Net depreciation and amortisation	-128,698	-115,865
Net provisions	184,477	-243
Impairment losses	-233,680	1,998
Profit from continuing operations	**224,400**	**217,694**
Gain/loss on disposal of financial assets	0	121,943
Change in the fair value of financial instruments	1,477	828
Financial income	13,838	18,578
Finance costs	-52,944	-52,728
Profit from continuing operations after net financial result	**186,771**	**306,315**
Income tax expense	-64,692	-58,625
Net profit for the period	**122,079**	**247,690**
Fluxys share	122,078	247,355
Non-controlling interests	1	335
Basic earnings per share attributable to the parent company's shareholders in €	173.7	352.0
Diluted earnings per share attributable to the parent company's shareholders in €	173.7	352.0

Statement of comprehensive income	In thousands of €	
	31-12-2011	31-12-2010
Net profit for the period	**122,079**	**247,690**
Actuarial gains/losses on provisions for post-employment benefits	-8,179	3,738
Translation adjustments	0	97
Income tax expense on other comprehensive income	2,780	-1,271
Other comprehensive income	**-5,399**	**2,564**
Comprehensive income for the period	**116,680**	**250,254**
Fluxys share	116,679	249,919
Non-controlling interests	1	335

Operating revenue. Operating revenue for 2011 was €709,857 thousand, compared with €657,715 thousand in 2010, i.e. an increase of €52,142 thousand.

- Revenue from the transmission and terminalling activities increased by a total of €136,827 thousand. This rise is a result both of the tariff settlements for 2008 and 2009 and of the expansion of the network and associated capacity. Particularly significant in 2011 was the commissioning of the VTN2 pipeline.
- As a result of the one-off impact of the decision in 2010 to stop peak-storage activities at Dudzele, revenue in the storage business fell €49,940 thousand.
- Other operating revenue includes a number of services up to 30 September 2010, the date on which Fluxys Europe, Huberator and GMSL were withdrawn from Fluxys NV/SA. The corresponding decline of €34,745 thousand was due mainly to the aforementioned changes in the consolidation scope.

The group would like to point out that the tariffs applied by Fluxys are among the most competitive in Europe.

Consolidated net profit. The consolidated net profit for the period was €122.1 million, a decrease of €125.6 million compared to 2010. The main reasons for this decrease were the non-recurring items booked in 2010, namely:

- the sale of stakes by the group, generating a capital gain of €121,943 thousand;
- the additional €5,658 thousand in profit generated by the closure of the peak-shaving facility at Dudzele.

The impact of these items on the change in the result between 2010 and 2011 was weakened by the effects of the investment programme and the rise in interest rates which influenced the return on the capital invested in the regulated activities.

Summary consolidated balance sheet

Assets	In thousands of €	
	31-12-2011	31-12-2010
I. Non-current assets	**2,610,631**	**2,827,466**
Property, plant and equipment	2,528,848	2,444,505
Intangible assets	15,263	295,353
Other financial assets	42	39
Finance lease receivables	25,303	27,370
Loans and receivables	41,175	60,199
II. Current assets	**617,872**	**724,267**
Inventories	43,335	51,902
Other current financial assets	25,600	24,368
Finance lease receivables	2,067	1,718
Income tax receivables	2,673	2,525
Trade and other receivables	90,784	59,998
Short-term investments	41,984	18,592
Cash and cash equivalents	405,622	559,173
Other current assets	5,807	5,991
Total assets	**3,228,503**	**3,551,733**

Non-current assets. The increase in 'Property, plant and equipment' was a result of the investments made during the year (€253,309 thousand), less depreciation, disposals and withdrawals and changes in the consolidation scope (€120,410 thousand) and subsidies received (€43,374 thousand). Most of those investments were in transmission (€228,136 thousand) and storage (€21,152 thousand).

The decline in intangible assets was due to the final settlement regarding Distrigas & C°, as mentioned in the Foreword to the 'Financial situation' section (p. 48).

Current assets. The rise in trade and other receivables was due largely to the final setting of a price for the transmission business of Distrigas & C°, resulting in a receivable of €68,000 thousand from Publigas and Caisse de dépôt et placement du Québec.

Short-term investments, cash and cash equivalents fell by a total of €130,159 thousand, mainly due to investments made during the year.

Equity and liabilities		In thousands of €
	31-12-2011	31-12-2010
I. Equity	**1,362,816**	**1,400,717**
Equity attributable to the parent company's shareholders	1,362,815	1,400,716
Share capital and share premiums	60,310	60,310
Retained earnings	1,302,505	1,340,406
Non-controlling interests	1	1
II. Non-current liabilities	**1,540,656**	**1,761,342**
Interest-bearing liabilities	1,058,341	1,161,314
Provisions	24,423	29,016
Provisions for employee benefits	54,443	58,925
Deferred tax liabilities	403,449	512,087
III. Current liabilities	**325,031**	**389,674**
Interest-bearing liabilities	148,903	86,366
Provisions	14,008	178,796
Provisions for employee benefits	3,715	3,965
Other current financial liabilities	1,989	3,005
Income tax payables	53,264	15,129
Current trade and other payables	100,740	100,314
Other current liabilities	2,412	2,099
Total equity and liabilities	**3,228,503**	**3,551,733**

Equity. (See the 'Change in equity' table below)

Non-current liabilities. The decline in deferred tax liabilities is mainly due to the impairment loss on the intangible assets as a result of the final settlement regarding Distrigas & C°.

Current liabilities. The provisions for regulatory risks established in 2008 and 2009 dropped in 2011 thanks to the elimination of associated tariff uncertainties, which also led to an increase in tax liabilities.

Statement of changes in equity

Change in equity			In thousands of €
	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
CLOSING BALANCE AS AT 31-12-2010	1,400,716	1	1,400,717
1. Comprehensive income for the period	116,679	1	116,680
2. Dividends paid	-154,580	-1	-154,581
CLOSING BALANCE AS AT 31-12-2011	1,362,815	1	1,362,816

As at 31 December 2011, equity totalled €1,362,816 thousand. The decrease of €37,901 thousand compared with 2010 was due to the comprehensive income for the period (€ +116,680 thousand), less dividends paid in 2011 (€ -154,581 thousand).

Summary consolidated cash flow statement

Summary consolidated cash flow statement		In thousands of €
	31-12-2011	31-12-2010
Cash at the start of the period*	577,765	530,414
Cash flows from operating activities (1)	298,782	279,745
Cash flows used in investing activities (2)	-209,937	-16,939
Cash flows used in financing activities (3)	-219,004	-215,455
Increase/decrease in cash	-130,159	47,351
Cash at the end of the period*	447,606	577,765

(1) Cash flows from operating activities also include changes in the working capital requirement.
(2) This amount takes into account disinvestments.
(3) These include dividends paid.

* 'Cash' includes cash, cash equivalents and cash investments.

Indicators

Indicators	2011	2010
RAB (in million €)		
Transmission	2,148.3	1,955.7
Storage	262.4	257.6
LNG terminalling	297.7	308.7
WACC before taxes (in %)		
Transmission	7.51	6.66
Storage	7.65	6.82
LNG terminalling	7.43	6.85
EBIT (in million €)	224.4	217.7
Net financial debt (in million €)	759.6	669.9
ROCE (in %)	3.29	6.90

EBIT: earnings before interest and taxes
ROCE: return on capital employed (affected in 2011 by settlement of the tariff disputes for 2008 and 2009)

1.2.2. Fluxys SA – stock split

The Fluxys share is considered a safe and prudent investment, but its high price causes the volume traded on the stock exchange to remain low. To boost the share's accessibility and liquidity, the Board of Directors has decided to propose to the Extraordinary General Meeting of 8 May 2012 that the share be split. If the proposal is accepted, from 9 May 2012 shareholders will receive 100 new shares for each old share.

1.2.3. Fluxys SA – 2011 results (Belgian GAAP)

Proposed allocation of profits

Fluxys NV/SA's net result was €157.2 million, compared with €267.7 million in 2010.

The result for 2010 was boosted by non-recurring items such as the surplus yielded as a result of the restructuring of the group and the positive influence of the recovery of the non-depreciated portion of the facilities that were decommissioned as a result of the closure of the peak-shaving facility at Dudzele.

In 2011 a non-recurring dividend of €66.2 million was received from Fluxys LNG corresponding to the built-up available reserves.

Apart from one-off factors, the net profit for 2011 increased by € 22.6 million thanks to the investment programme and interest rate trends.

Since 2010 and barring any unforeseen events, Fluxys envisages to distribute 100% of its net profit for the year plus any reserves released as and when the revaluation surplus depreciates.

Now that the major uncertainties surrounding tariffs are lifted, the Board of Directors will propose to the Annual General Meeting to pay out available reserves for an amount of €421.6 million. The payout will be financed, for the larger part, by available cash.

Factoring in a profit of €53.1 million carried over from the previous period and a withdrawal from reserves of € 464.8 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €47.8 million to profit to be carried forward;
- €623.9 million as a dividend payout;
- €3.4 million as reserves not available for distribution.

If the proposed allocation of profits is accepted and if the Extraordinary General Meeting decides to split the share, the total gross dividend per split share for 2011 will be €8.88 (€6.66 net). That amount will be payable as from 15 May 2012.

As a reminder, the 2011 dividend (excluding non-recurring items) was €1.43 net per split share.

Positive impact of distribution of the available reserves

The distribution of the available reserves will allow Fluxys to move towards a financial structure that is more in line with the Belgian regulatory framework (with a ratio of 1/3 equity to 2/3 borrowed funds) and similar to the financial structure of European companies with a Standard & Poor's 'A' rating. Following the distribution of the reserves, the company will maintain the resources needed for its investment programme. The new financial structure will also improve the return on equity and at the same time is to create room to keep tariffs competitive in the future.

The share of available reserves paid to parent company Fluxys G will be used for financing the development of the group and for investments to attract additional natural gas flows to Belgium, with a view to consolidate security of supply and the Belgian grid's role as a natural gas crossroads.

1.2.4. Outlook 2012

Net results from regulated activities are mainly determined by invested equity, financial structure and interest rate (OLO). The recurring dividend will continue to evolve in accordance with the evolution of these three parameters. The decrease in equity triggered by the distribution of reserves, reflects immediately in a decrease in distributable results. At the same time, profitability of equity will improve as the financial structure evolves towards a gearing that is more in line with the regulatory framework

1.2.5. Activities and results of subsidiaries

Fluxys LNG SA (consolidated subsidiary – Fluxys stake 99.99% and Flux Re stake 0.01%)
Fluxys LNG owns and operates the LNG terminal in Zeebrugge and sells terminalling capacity and related services. 2011 was a very busy year for the Zeebrugge LNG terminal, with 70 LNG ships unloaded and 10 loaded. A total of 1,268 LNG ships have been unloaded since the terminal was commissioned in 1987.

A second jetty is to be built at the Zeebrugge LNG terminal by 2014, for ships with a capacity of up to 217,000 cubic metres of LNG. The Zeebrugge Port Authority began work on the underwater structure in September 2011. Fluxys has also embarked on the construction of an open rack vaporiser (ORV), which uses heat from seawater to regasify LNG.

Fluxys LNG's equity was €235.1 million at 31 December 2011, compared with €243.8 million the previous year. The net profit for financial year 2011 was €17.0 million, compared with €15.8 million in 2010.

Fluxys & Co SA (consolidated subsidiary – Fluxys stake 99.98%)
Fluxys & Co has a 49% stake in the Norwegian partnership Patrederiet BW Gas Fluxys DA, which owns the LNG carrier *BW GDF Suez Boston*. The rights and obligations associated with pending disputes in regulatory and tax matters are also included in Fluxys & Co's assets.

Fluxys & Co's equity was €0.1 million at 31 December 2011, unchanged from the previous year. The net profit for financial year 2011 was €5.5 million, compared with €6.8 million in 2010.

Flux Re (consolidated subsidiary – Fluxys stake 100%)
Flux Re is a reinsurance company established under Luxembourg law in October 2007.

Flux Re's equity was €4.8 million at 31 December 2011, unchanged from the previous year.

Guimard SA
Guimard used to own the building that Fluxys uses to house some of its central services. The Extraordinary General Meetings of Fluxys and of its wholly-owned subsidiary Guimard decided to integrate Guimard into Fluxys SA. The transaction has no impact on the consolidated financial statements.

1.3. Specific information

1.3.1. Structure of Fluxys capital at 31 December 2011

Shareholder		Class	Number of shares	%
Fluxys G	Registered	B	585,237	89.97
	Dematerialised	D	10,334	
	Registered	D	36,600	
Public	Registered	D	274	10.03
	Dematerialised	D	65,794	
	Bearer	D	4,396	
Belgian State	Registered	Golden share	1	-
			702,636	

- Classification of shares:
  - Class B: registered shares
  - Class D: registered, dematerialised or, unless otherwise stipulated by law, bearer shares
  - The Belgian State holds golden share no. 1, which does not fall into any of the above classes
- Class-D shares are quoted on the Second Market of NYSE Euronext Brussels.
- Fluxys G is a public limited company incorporated under Belgian law. Its registered office is located in Belgium at Avenue des Arts 31, B-1040 Brussels. Fluxys G's shareholders are Publigas (80%) and the Caisse de dépôt et placement du Québec (20%). Publigas is a joint-venture between Belgium's municipalities and is responsible for managing their stakes in natural gas companies in Belgium. The Caisse de dépôt et placement du Québec is a Canadian financial institution that manages funds, primarily from public and private pension and insurance funds.
- The Belgian State is represented by the Finance Minister.

1.3.2. Guarantee in the context of the takeover of Distrigas & C°

Background

Fluxys purchased Distrigas & C° from Distrigas in 2008. Distrigas & C° was responsible for marketing natural gas border-to-border capacity on the Troll (Zeebrugge–Blaregnies) and RTR1 (Zeebrugge–Zelzate/Eynatten) pipelines. The operation was one of a number of commitments made to the European Commission in connection with the merger between GDF and SUEZ, which at that time was a Fluxys shareholder.

At the time of the acquisition, there was uncertainty about the value of the border-to-border transmission contracts (disputes concerning CREG's tariff decisions of May and June 2008, see p. 76). For that reason, the company's then shareholders SUEZ-Tractebel and Publigas granted Fluxys an individual guarantee of up to €250 million at the time of the acquisition.

The value of the Distrigas & C° contracts was set at €350 million, on the understanding that the value could be adjusted up or down once the regulatory disputes had been resolved. The guarantee was issued to cover any such potential drop in value.

In May 2010, the GDF SUEZ Group withdrew completely from Fluxys' shareholder structure and Publigas acquired the GDF SUEZ Group's entire stake in Fluxys. The sale agreement also stipulated that Publigas should take over GDF SUEZ's share of the guarantee.

In September 2010, Fluxys restructured its group, resulting in the current capital structure. Fluxys G, whose shares were wholly owned by Publigas, became Fluxys' majority shareholder. The guarantee remained in the hands of Publigas.

Caisse de dépôt et placement du Québec took over part of the guarantee

Caisse de dépôt et placement du Québec became a shareholder of Fluxys G. On 28 January 2011, Publigas and the Caisse de dépôt et placement du Québec signed an agreement in principle allowing the latter to acquire a stake in Fluxys G. That transaction was completed on 30 March 2011 and the Caisse de dépôt et placement du Québec became a 10% shareholder in Fluxys G.

The agreement between the Caisse and Publigas also stipulated that the Caisse should take over a share of the guarantee proportionate to its participation in the capital, and up to a maximum of 20%. Since the Caisse acquired a 10% stake in Fluxys G, it also took over 10% of the guarantee.

Conclusion of the committee of independent directors' opinion. The partial acquisition of the guarantee was governed by a separate agreement, which was examined by a committee of independent Fluxys directors. At its meeting held on 26 January 2011, Fluxys' Board of Directors appointed Ms Monique Lievens and Messrs André Farber and Walter Nonneman as members of this committee. The committee returned a positive opinion to the Board of Directors at the latter's meeting on 16 March 2011.

The committee reached the following conclusion:

> "Having examined the relevant documentation, taking into account the advice of the financial and legal departments, and having assessed the financial consequences of the transaction for the company and its shareholders, the committee believes that the Caisse de dépôt et placement du Québec has the financial capacity to take over 10% (or possibly a larger share, but no more than 20%) of the Transit Guarantee and to fulfil its obligations in the event that the guarantee were to be invoked. The committee believes that this transfer will not have a negative impact on the company. On this basis, the committee concludes that the transaction will not cause any damage to the company which, in the light of the latter's policy, might be construed as manifestly unlawful.

The committee therefore returns a positive opinion to the Board of Directors concerning the aforementioned transaction.

The committee's opinion is based on the information available to it as at 4 March 2011.

Done at Brussels, 4 March 2011

Walter Nonneman	Monique Lievens	André Farber
Chairman	Member	Member"

Extract from the minutes of the Board of Directors' meeting. The Board of Directors' meeting held on 16 March decided to approve the transfer based on the positive opinion issued by the committee of independent directors:

"Based on the opinion of the committee of independent directors dated 4 March 2011, the Board of Directors approves the Transit Guarantee Transfer Agreement to be concluded between Publigas SCRL, the company incorporated under Canadian law Caisse de dépôt et placement du Québec, Fluxys SA and Huberator SA, as proposed during the meeting."

Auditor's assessment. Pursuant to Article 524 of the Belgian Company Code, the statutory auditor was asked to give an assessment of the reliability of the data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting. The auditor's report concluded the following:

"Within the framework of our remit, we performed the following activities:

a) We obtained the minutes of the Board of Directors' meeting held on 16 March 2011 and compared the conclusion detailed in said minutes with that contained in the opinion returned by the committee of independent directors.
b) We ascertained whether the financial data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting was accurate.

Having performed the above activities, we have been able to conclude the following:

- With regard to point a), we can confirm that the conclusion detailed in the minutes of the Board of Directors' meeting held on 16 March 2011 tallies with that detailed in the opinion returned by the committee of independent directors.
- With regard to point b), we can confirm that the financial data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting is accurate. However, this assessment does not imply any analysis on our part as to whether the transaction value was a fair one or whether the decision taken by the Board of Directors was a prudent one.

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 concerns the aforementioned information only and does not apply to any other information, regardless of its nature.

Antwerp, 19 August 2011
Auditor
DELOITTE Company Auditors
SC s.f.d. SCRL
Represented by Jurgen Kesselaers"

Caisse increases its stake in Fluxys G. On 28 November 2011, the Caisse de dépôt et placement du Québec increased its stake in Fluxys G to 20%, with the result that its share in the guarantee also increased to 20%.

After year end: approval of 2008-2009 settlements by CREG

On 12 January 2012, CREG decided to approve the tariff settlements proposed by Fluxys for the years 2008 and 2009. As a result of that decision, the regulatory uncertainties have been removed and the final value of the border-to-border transmission contracts of Distrigas & C° can be established. The final value of the Distrigas & C° activities is €282 million, meaning that Fluxys can request an initial sum of €68 million from the shareholders.

Accordingly, the Board of Directors asked the committee of independent directors to issue an opinion justifying the final valuation of the Distrigas & C° contracts and investigating whether Fluxys would be disadvantaged. On the basis of that opinion, the Board of Directors' meeting held on 25 January 2012 decided to confirm an initial invocation of the guarantee vis-à-vis Publigas (80%) and the Caisse (20%) for €68 million.

The conclusions of the committee of independent directors, the extract from the minutes of the Board of Directors' meeting and the auditor's assessment will be published in Fluxys' 2012 annual report.

The settlement approved by CREG was drawn up on the basis of the costs incurred and the revenue actually collected by Fluxys in 2008 and 2009. The adjustments that need to be made in the books have no impact on Fluxys' net result in 2011, the company's cash funds or its equity (see also Note 3, p. 169).

1.4. Corporate Governance Declaration

Fluxys has adopted the Belgian Corporate Governance Code 2009 ('Code 2009') as its benchmark code of conduct. Fluxys is also subject to legislation on corporate governance contained in the Act of 12 April 1965 on the transmission of gas and other products via pipelines, as subsequently amended ('Gas Act'), and the European Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC ('Directive'). Details of the legislation applied by Fluxys can be found online:

- Code 2009: www.corporategovernancecommittee.be
- Gas Act: www.just.fgov.be
- Directive: eur-lex.europa.eu

1.4.1. Developments in 2011

Changes in the composition of the Board of Directors. Following the acquisition of a shareholding by the Caisse de dépôt et placement du Québec, Mr Macky Tall was appointed as a Fluxys director at the Annual General Meeting of 10 May 2011. On 31 August 2011, Mr Macky Tall resigned as a Fluxys director. The Board of Directors decided to appoint Mr Yves Rheault as a provisional replacement for Mr Macky Tall, subject to his permanent appointment by the Annual General Meeting on 8 May 2012. This term of office will expire at the Annual General Meeting in 2017.

Further, on the proposal of the Board of Directors and following an opinion by the Appointment and Remuneration Committee and the Corporate Governance Committee, the Annual General Meeting of 10 May 2010 decided to appoint Ms Hélène Deslauriers as an independent director. Her term of office will expire at the Annual General Meeting in 2017.

Changes to the Articles of Association and the Corporate Governance Charter. Fluxys' Articles of Association were amended at the Extraordinary General Meeting held on 10 May 2011. In addition to some editorial changes, the aim of these amendments was to bring the Articles of Association into line with the new statutory provisions introduced by the Act of 17 December 2008[1], those laid down in the Act of 6 April 2010[2] and those contained in the Act on the exercise of certain rights of shareholders in listed companies. The Corporate Governance Charter was also amended to take account of the changes to the Articles of Association.

1.4.2. Risk management

Internal control and risk management systems

Reference framework. Fluxys applies the COSO model (based on ISO 31000) as its reference framework for internal control and risk management. The risk management process is a continuous and cyclical process, to ensure ever more comprehensive mapping and effective control of risks.

The Fluxys Risk Charter sets out the organisation, development and administration of the risk management process for Fluxys and its subsidiaries. It encompasses the identification, analysis, evaluation and treatment of risks in order to assist the management in meeting company objectives. The Charter also lays down the principles, procedures, roles and responsibilities associated with risk management.

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[1] Act instituting inter alia an audit committee in listed companies and financial undertakings.

[2] Act enhancing corporate governance in listed companies and autonomous public undertakings and amending the rules on exclusion from employment in the banking and finance sector.

Roles and responsibilities. The Board of Directors determines the degree of risk which the company is willing to incur, in accordance with its values, strategy and core policies. The Board of Directors therefore approves the reference framework for internal control and risk management and assesses implementation of the reference framework. The Audit Committee advises the Board of Directors in this area.

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Executive Board. In this way, the Committee ensures that the most important risks are suitably differentiated, managed and communicated. Implementing risk management is the responsibility of the Executive Board. In this capacity, the Executive Board evaluates the risks and the measures taken to mitigate them.

Specifically for the internal control activities, Fluxys has organised a separation of duties in its processes and IT systems to limit the risk of errors and fraud in its accounts. In addition, a budget monitoring exercise is held every three months as part of the financial reporting procedure. The monitoring, which focuses on comparing the budget with the actual figures and with forecasts, is carried out for the group as a whole, with the results being reported to the Executive Board on a quarterly basis. Fluxys uses SAP as its system for financial reporting.

Fluxys also draws up Key Performance Indicators (KPIs). The company's main KPIs relate to the corporate objectives laid down in the Balanced Score Card (covering e.g. safety, continuity of gas flows, marketing, market development, budget balance and HR policy). Special indicators are laid down for a number of departments such as IT and Asset Management.

The company also operates a system of programme management, whereby projects are examined before they are launched, based on a number of factors such as the existence of a business case, a performance analysis and the financial impact.

Risk register. Risks are divided into five groups: financial risks, hazard risks, legal, operational and strategic risks. For each risk, the probability of occurrence and the seriousness are determined in either quantitative or qualitative terms. In this way, the company's risk profile is adjusted periodically.

The risks are set out in a risk matrix, in which Fluxys distinguishes three levels of risk:

- Unacceptable risks, for which measures must be taken to reduce the risk. For this category, each business unit submits proposed measures including at least a description of the actions to be taken, an assessment of the impact on the accounts and the cost, and the designation of a person responsible for implementation and action planning. Next, an initial risk identification round is organised and the risks are consolidated. The measures are then approved by the Executive Board.
- Risks for which measures are taken to reduce the risk in line with the ALARP ('as low as reasonably possible') principle. This means that the technological resources, economic restrictions and feasibility of the measures are weighed up carefully against the risk-reducing effect. The business units keep a close eye on the risks and a risk monitoring exercise is organised every three months.
- Risks for which no additional measures are taken, but to which the principle of continuous improvement applies.

Control measures. The risk profile is compared with the risk tolerance and where necessary additional measures are taken with the aim of bringing all risks within acceptable limits. For each sector of activity, these measures are translated into a policy, procedures, instructions and a regular evaluation by means of external and internal audits, technical audits and quality controls on implementation of the measures. In this way, risk awareness within the organisation is strengthened.

Market risks and financial instruments

Exchange risk. A small percentage of Fluxys' current revenue is denominated in currencies other than euro, primarily US dollars. Since Fluxys presents its consolidated results in euro, a fluctuation in the exchange rate between the euro and these currencies is liable to affect Fluxys' income statement and consolidated balance sheet when foreign currencies are converted into euro. However, such fluctuations are marginal relative to the volume of revenue concerned. Furthermore, to limit this kind of exchange risk, some such cash flows are hedged in the form of forward contracts concluded by Fluxys for the purchase and sale of currencies.

Counterparty risk. Since the restructuring in 2010, cash surpluses belonging to Fluxys SA have been deposited with Fluxys Finance as part of the Fluxys G group's cash pooling policy. In terms of Fluxys Finance, the risk of counterparties defaulting is very small, since Fluxys Finance invests the cash surplus either with prominent financial institutions or in the form of financial instruments issued by companies with high ratings, or, indeed, in financial instruments issued by companies in which the Belgian government is the majority shareholder or which are underwritten by an EU Member State.

Financial risks linked to commercial transactions

The group's policy on financial risks linked to commercial transactions 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. Fluxys closely monitors the commercial debts owed to it and systematically assesses the financial capacity of its counterparties. The risk of default is therefore limited but Fluxys cannot rule out such a risk completely or, by extension, a potential negative impact on its financial situation.

Retirement scheme

Some Fluxys employees are covered by a fixed-benefit pension scheme and others by a fixed-contribution pension scheme. The fixed-benefit pension scheme is a scheme whereby the level of benefits is determined by several factors such as duration of career, salary and working arrangements. The amount of the contributions for financing the capital is determined based on a number of actuarial scenarios such as the forecast performance of the pension fund, long-term rates, life expectancy and staff turnover.

If, at a given year-end, the market value of a pension scheme's assets is less than the pension liabilities (determined on the basis of actuarial scenarios), Fluxys runs the risk of under-financing, which could result in it being required to submit a recovery plan to the Financial Services and Markets Authority (FSMA) or to fund additional contributions. Such a risk of under-financing is currently covered via provisions set aside in Fluxys' consolidated accounts. Fluxys has decided to increase the financing level by adjusting its financing method so that the risk of a recovery plan or additional funding is reduced. In this way, the impact of pension funding on Fluxys' financial situation will be smaller in future.

Operational risks

The main activities in which Fluxys is involved are transmission and storage of natural gas and LNG terminalling in Zeebrugge. Given the nature of the product Fluxys transports, the company operates a comprehensive safety and security policy.

Risks linked to the operation of Seveso sites. Fluxys and Fluxys LNG operated two Seveso sites in 2011: the LNG terminal 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 transmission infrastructure is legally obliged to notify Fluxys in advance. Fluxys then confirms whether or not any natural gas transmission infrastructure is located in the vicinity of the works. If this is the case, the applicant is sent all 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.

Fluxys inspectors in the field regularly check the pipeline routes and assist contractors working in the vicinity of natural gas transmission infrastructure. They also check, among other things, that no-one is carrying out work in the vicinity of a pipeline 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 involved in works close to its natural gas transmission infrastructure.

Damage to infrastructure caused by Fluxys works. Damage can also be caused while Fluxys is carrying out works to commission or repair infrastructure. All incidents or near-incidents are investigated thoroughly and remedial action is taken in a timely manner to prevent such incidents from recurring.

Corrosion. Fluxys' pipelines are covered with an external coating system to prevent corrosion. Fluxys also uses a cathodic protection system to provide additional protection in case of faults. In addition, where possible the pipelines are systematically inspected internally using intelligent pipeline integrity gauges and externally using electrical measurements.

Environmental impact. The natural gas transmission infrastructure has a minimal impact on the environment compared with other forms of transmission and Fluxys' environmental policy focuses on systematically reducing that minimal impact further still (see also Environment, p. 135).

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. These circumstances result in lead times of 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 permitting 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.

Technical risk. Shortcomings in transmission systems and IT systems used to manage the gas system may give rise to malfunctions in the natural gas transmission system. These systems can have failures caused by events outside Fluxys' control such as natural disasters, terrorist attacks, new computer viruses, attempted hacking and other IT security issues. Fluxys has taken all necessary measures to ensure that its main computer systems and the systems used to manage its infrastructure remain up and running. As such, several systems have back-up facilities which automatically kick in to ensure continued operation when a serious problem occurs. Fluxys has also made provision for liability-exemption clauses in its transmission contracts, except in the event of fraud or gross negligence. Such technical and contractual measures help to limit the impact of a serious shortcoming in the various components of the technical and IT systems. However, it is impossible to rule out all eventualities resulting in disruption of gas transmission services and affecting Fluxys' results.

Crisis management. Competent teams have been set up to manage and control crisis situations prompted by incidents and accidents involving a facility operated by Fluxys or Fluxys LNG. All members of these teams receive special crisis-management training and Fluxys regularly organises crisis-management drills to ensure that the group is always ready to respond to an incident. Annual drills are also conducted with the emergency services.

Regulatory risks

Monitoring expenditure. For those activities which fall under the Gas Act (regulated activities), Fluxys is remunerated on the basis of 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 energy regulator (CREG). If the regulator rejects the group's expenditure, this can have an impact on Fluxys' financial situation and results.

Ex-post differences in relation to reference quantities. The tariffs approved by CREG are based on pre-determined reference quantities of capacity that Fluxys is forecasted to sell to system users. If Fluxys sells more capacity than the reference quantities, the tariffs will be lowered – as in the past – during the next regulatory period. Conversely, on the basis of the agreement with CREG and the tariff methodology established by the latter, if Fluxys sells less transmission capacity than the pre-determined reference quantities, this difference will, barring unforeseen events, be reflected in the company's fair profit margin and cannot cause tariffs to rise during the next regulatory period.

Clarification of the regulated tariffs for 2008-2009. The accounts for 2008 and 2009 had been drawn up in a regulatory environment in which there were major uncertainties about recognition of the results of Fluxys' activities as well as the final value of the border-to-border gas transmission activity of Distrigas & C°, which was acquired from Distrigas in 2008.

As all parties in 2011 have renounced the pending appeals before the Court of Appeal and the Belgian Council of State, the tariff settlements for 2008 and 2009 become definitive with CREG's approval. This enabled the definitive value of Distrigas & C°'s border-to-border transmission contracts to be established. (See Note 3, p.169).

Application of the regulated tariffs for 2010-2011. On 22 December 2009, CREG approved Fluxys' tariff proposal for transmission and storage services for the years 2010 and 2011. Appeals were lodged against these tariffs by four grid users. These appeals were withdrawn, except for one which resulted in the partial annulment of the transmission tariffs in so far as they included a specific compression tariff applicable to certain entries to the transmission system (Court of Appeal judgment of 23 March 2011). In the wake of these judgments, Fluxys submitted a suitably amended tariff proposal providing for the socialisation of all compression costs, which CREG approved on 23 June 2011 and which was not contested.

Improving efficiency and productivity. The tariff agreement between Fluxys and CREG of 18 December 2009 includes a coefficient by which efficiency and productivity must be improved during the 2008-2011 regulatory period. The system operator is held responsible for any failure to achieve the improvement target set. In 2011, Fluxys achieved the targets set as regards improving efficiency and productivity.

Fluxys' 2012-2015 tariff proposal includes a new plan for improving productivity and efficiency. This tariff proposal was approved by CREG in December 2011.

Legal risks

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.

Ghislenghien. Regarding the Ghislenghien accident on 30 July 2004, Fluxys was prosecuted as a legal entity before the Tournai Correctional Court for, among other things, involuntary manslaughter and involuntary injury due to lack of caution or prudence. In its ruling of 22 February 2010, the court of first instance acquitted Fluxys and ruled that the company had not committed any offence. In March 2010, the public prosecutor's office decided to lodge an appeal against the ruling of the court of first instance and to contest several of the acquittals, including that of Fluxys.

On 10 January 2011, appeal proceedings resumed before the Mons Court of Appeal. In its judgment of 28 June 2011, the Court of Appeal found Fluxys to be co-responsible for the Ghislenghien disaster. Fluxys decided to appeal in cassation against the ruling because it is of the opinion that the Court of Appeal's ruling contains a radical shift from case law on liability. The ruling also sets a dangerous precedent for the safe operation of the natural gas transmission system.

Insurance

Fluxys 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 partially reinsured by Flux Re, a wholly-owned subsidiary of Fluxys SA, or are partially self-retained, for example by applying appropriate deductions.

The fact that Flux Re is fully consolidated in the group's accounts means that the costs engendered by any incidents occurring and covered by the group's insurance policy are booked to the consolidated result.

The comprehensive cover is at the very least in line with European 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, multi-level cover;
- staff programme: mandatory insurance cover (statutory insurance against work-related accidents) and staff healthcare programme.

1.4.3. Voting rights and special powers

The Annual General Meeting represents all shareholders, i.e. the holders of registered, dematerialised and bearer shares, irrespective of their share class. The Annual General Meeting has all the powers necessary to pass or approve deeds that are in the interest of the company. The valid decisions it makes, based on the required majority, shall be binding on all shareholders, even those who are not present or who do not agree with said decisions.

Each share entitles the holder 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 within which these provisions are incorporated, 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. Said special rights are exercised by the federal Energy Minister and, in brief, comprise the following:

- the right to oppose any transfer, assignment as a guarantee, or change in the purpose of Fluxys' strategic assets – a list of which is attached to the aforementioned Decree dated 16 June 1994 – if the federal Energy Minister considers that such an operation would adversely affect national interests in the field of energy;

- the right to appoint two representatives of the federal government in an advisory capacity to Fluxys' Board of Directors and Strategy Committee;
- the right of representatives of the federal government to appeal to the federal Energy Minister within four working days, on the basis of objective, non-discriminatory and transparent criteria (as defined in the Royal Decree of 5 December 2000) against any decision of Fluxys' Board of Directors or Strategy Committee (including the investment and activity plan and the associated budget) which in their view breaches national energy policy guidelines, including the government's national energy supply objectives. Such an appeal shall be suspensive. If the federal Energy 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 at the Annual General Meeting concerning an issue affecting the objectives of federal energy policy.

The special rights attached to the golden share held by the Belgian State are listed under Articles 11, 15, 17 and 21 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 granting the State a golden Fluxys share or substituting provisions remain in force.

1.4.4. 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 "securities") between a shareholder and companies associated with the shareholder as per the meaning detailed in the Belgian Company Code;
- all transfers of class-D shares.

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 shares and the golden share, the option of a priority purchase (on a pro rata basis of their shareholding) of the securities relating to the planned transfer, as per the procedures detailed below.

A shareholder planning to transfer shares must inform the company in writing, and requesting acknowledgement of receipt, a) of the number of shares he plans to sell, b) of the name of the prospective assignee(s) deemed to be of good faith and the price irrevocably offered by said assignee, and c) that the shares in question are being offered to shareholders for priority purchase 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 60 days as from receipt of the aforesaid written notification to inform the transferring shareholder and the company, in writing and requesting 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 pro rata 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 which indicated 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 therein.

1.4.5. Rules governing the appointment and replacement of members of the Board of Directors and amendments to the Articles of Association

Appointment and replacement of directors. Article 11 of the Articles of Association stipulates that the company shall be managed by a Board of Directors comprising no fewer than three and no more than 24 non-executive directors appointed for a maximum term of six years by the Annual General Meeting and who may be dismissed by the latter.

Article 12 of the Articles of Association stipulates that the directorships of resigning directors who have not been re-elected shall terminate immediately after the Annual General Meeting. In the event that one or more directorships remain vacant, the remaining directors may, by a simple majority of votes, act temporarily in the place of the resigning directors. In such cases, the Annual General Meeting shall make a permanent nomination or nominations at its first meeting thereafter. Where a directorship becomes vacant prior to routine expiry of a term of office, the replacement director appointed shall serve out the remaining period of the term of the director s/he is replacing.

Amendments to the Articles of Association. The group's Articles of Association may be amended by the Annual General Meeting; any amendments made must be published in the Belgian Official Gazette. Deliberation upon amendments to the Articles of Association is only valid if at least half of the group's share capital is represented at the Annual Meeting. No amendment shall be permitted unless it is passed by three-quarters of the votes.

1.4.6. Issue or buy-back of shares

Fluxys' Articles of Association authorise the Annual General Meeting to acquire the company's own shares in accordance with legal provisions. 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, no decision by the Annual General Meeting is required.

In accordance with the Belgian Company Code, the Extraordinary General Meeting held on 26 May 2010 authorised the Board of Directors to acquire, via purchase or exchange, either from the stock exchange or elsewhere and by any means and in any form, the maximum number of shares permitted under the provisions of said Code at a price not lower than 80% and not higher than 120% of the average closing price during the five working days immediately prior to the purchase or exchange. This authority is granted for a period of five years from 26 May 2010 and may be extended as stipulated in the Belgian Company Code. The authority also applies to the purchase of shares in the group by a direct subsidiary within the meaning of Article 627 of the Code. The Board of Directors may invalidate shares acquired in this way on the group's behalf; any such invalidation must be certified by a notarised deed and the Articles of Association must then be amended to reflect the decisions.

Pursuant to Article 622 §2 of the Belgian Company Code, the group may, without the prior consent of the Annual General Meeting and at any time, transfer its own shares, either on the stock exchange or elsewhere, at a price determined by the Board of Directors. This option also applies to the transfer, either on the stock exchange or elsewhere, of the group's shares by one of its direct subsidiaries at a price determined by the Board of Directors of said subsidiary.

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

1.4.7. Board of Directors

Composition of the Board of Directors

Article 11 of the company's Articles of Association stipulates that the Board of Directors shall comprise no fewer than three and no more than 24 non-executive directors, excluding one or more government representatives.

In order to comply with the provisions of the Gas Act, at least:

- one third of directors must be independent within the meaning of the Gas Act: these independent directors are chosen in part for their financial acumen and for their technical expertise in a particular field and in part for their knowledge of the energy sector;
- one third of directors must be of the opposite sex to the other members.

Half the directors must be fluent in French and the other half in Dutch.

In addition, the golden share grants the federal Energy Minister the right to appoint two representatives of the federal government to the Board of Directors.

Directors

Daniël Termont *Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee*
Daniël Termont is the Mayor of Ghent and Chairman of Publigas. He was appointed director in May 1998 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2015.

Jean-Jacques Cayeman *Director*
Jean-Jacques Cayeman has a degree in business and is financial director for the intermunicipal economic development company IGRETEC, which also manages the stakes held in energy companies by towns and communities in Hainaut province. He is also an advisor to the Chairman of ORES. He holds directorships in several organisations in the energy sector and is Vice-Chairman of Publigas. He was appointed director in May 2010

following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2016.

Paul De fauw *Director, Chairman of the Audit Committee*
Paul De fauw holds a diploma in applied economics and commerce and is Director General of the official representative association (distribution system operator) Infrax West. He is also CEO of INFRAX cvba. He was appointed director in December 2003 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2014.

Mireille Deziron *Director*
Mireille Deziron is CEO of *Jobpunt Vlaanderen* (Flanders' jobsite) and Vice-Chairwoman of the Board of Directors of the *Openbaar Psychiatrisch Zorgcentrum* (Public psychiatric care centre) in Geel. She is also a member of Flanders' *Commissie Efficiënte en Effectieve overheid* (Commission on Efficient and Effective Government). She was appointed director in June 2009 following nomination by Publigas. Her current term of office expires at the Annual General Meeting to be held in May 2015.

Claude Grégoire *Director, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee*
Claude Grégoire is a civil engineer and CEO of Socofe. He was appointed director in October 1994 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2012.

Luc Hujoel *Director*
Luc Hujoel holds a Masters degree in economics and is director general of the intermunicipal company Sibelga and Brussels Network Operations. He was appointed director in May 2009 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2015.

Luc Janssens *Director*
Luc Janssens holds a degree in law and is a lawyer with *Elegis – Huybrechts, Engels, Craen en vennoten* in Antwerp. He is also the first alderman of Kapellen. He was appointed director in May 2008 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2015.

Patrick Moenaert *Director*
Patrick Moenaert holds a degree in political and social sciences (sociology), is the Mayor of Bruges, Chairman of *Vlaamse Centrumsteden* (Flemish regional cities), Director of Publigas and Chairman of the intermunicipal company Finiwo. He was appointed director in May 1998 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2015.

Josly Piette *Director*
Josly Piette holds degrees in industrial sociology and economic and social policy. He is Mayor of Bassenge, Honorary General Secretary of the *Confédération des Syndicats Chrétiens* (Confederation of Christian trade unions) and a director of Socofe and Publigas. He was appointed director in June 2009 following nomination by Publigas. His current term of office expires at the Annual General Meeting to be held in May 2014.

Macky Tall *(Director from 10 May 2011 to 1 September 2011)*
Macky Tall holds a bachelor's degree in Business (Finance) from HEC Montréal Business School and an MBA (Finance) from the University of Ottawa. He is currently Head of Infrastructure, a member of the Executive Committee of the Private Equity group and Chairman of the Management Committee of the Infrastructure group at the Caisse de dépôt et placement du Québec. He was appointed director in May 2011 and resigned with effect from 1 September 2011.

Yves Rheault *Director (from 1 September 2011)*
Yves Rheault holds bachelor's degrees in arts and business and a master's degree in school administration. He has served – and still serves – as a director for several companies and chairs the Boards of various companies in the energy sector. He is currently an adviser at the Caisse de Dépôt et Placement du Québec. He was provisionally appointed director by the Board of Directors on 31 August 2011, upon the advice of the Appointment and Remuneration Committee. The Annual General Meeting in May 2012 will decide on his permanent appointment.

Christian Viaene *Director, Chairman of the Appointment and Remuneration Committee*
Christian Viaene is a commercial engineer and holds a degree in applied economics. He is Director General of the Brussels intermunicipal gas and electricity companies and is General Secretary of Publigas. He was appointed director in March 2005 following

nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2015.

Luc Zabeau *Director*
Luc Zabeau is a commercial engineer and holds a degree in commercial and financial sciences. He joined Sibelga in 2003 where he is currently director of the Finance Department. He was appointed director in June 2009 following nomination by Publigas and his current term of office expires at the Annual General Meeting to be held in May 2017.

Independent directors under the provisions of the Gas Act:

Marianne Basecq *Director*
Marianne Basecq holds a degree in business administration with additional training in public management. She is a General Advisor for the holding Socofe SA. She was appointed independent director in May 2007 following nomination by Publigas and her current term of office expires at the Annual General Meeting to be held in May 2013.

Sophie Brouhon *Director*
Sophie Brouhon is a graduate in economics and management and is currently a member of the parliament of the Brussels-Capital Region. She was appointed independent director in May 2007 following nomination by Publigas and her current term of office expires at the Annual General Meeting to be held in May 2013.

Caroline De Padt *Director*
Caroline De Padt studied economics, modern languages and business administration and is a provincial councillor in East Flanders and a branch manager at Axa Geraardsbergen. She was appointed independent director in May 2007 following nomination by Publigas and her current term of office expires at the Annual General Meeting to be held in May 2013.

André Farber *Director, Chairman of the Corporate Governance Committee*
André Farber holds a PhD in applied economics and is a professor emeritus at the *Université Libre de Bruxelles* (Brussels Free University). He was appointed director in December 2003 and an independent director by the Extraordinary General Meeting of 14 January 2004. His appointment as independent director was confirmed by the Board of Directors until the end of his term of office following nomination by the Appointment and

Remuneration Committee in May 2009. His current term of office expires at the Annual General Meeting to be held in May 2014.

Hélène Deslauriers *Director (since 10 May 2011)*

Hélène Deslauriers studied Law at the University of Montréal and obtained an LLM at the University of London. She is a member of the Bar of the Province of Québec and a member of the International Bar Association. She was Vice President at Bombardier Transportation for 13 years. She was appointed independent director in May 2011 on the proposal of the Board of Directors and upon the advice of the relevant advisory committees. Her term of office expires at the Annual General Meeting to be held in May 2017.

Monique Lievens *Director*

Monique Lievens holds 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 following nomination by Publigas and her current term of office expires at the Annual General Meeting to be held in May 2013.

Walter Nonneman *Director*

Walter Nonneman is a professor of economics at the University of Antwerp and a director of several financial institutions and associations. He holds a PhD in applied economics from UFSIA and also studied at the Harvard Graduate School of Business Administration. Walter Nonneman was appointed independent director in May 2009 following nomination by the Appointment and Remuneration Committee and his current term of office expires at the Annual General Meeting to be held in May 2015.

Henriette Van Caenegem *Director*

Henriette Van Caenegem holds a degree in law and is Chief Legal Officer for Tessenderlo Group, a chemicals multinational headquartered in Belgium. She was appointed independent director in May 2006 and her appointment as an independent director was confirmed by the Board of Directors until the end of her term of office following nomination by the Appointment and Remuneration Committee in May 2009. Her current term of office expires at the Annual General Meeting to be held in May 2012.

Federal government representative

François Fontaine
François Fontaine holds degrees in law and tax law and is currently a general advisor with the Federal Holding and Investment Company (*Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij*). He was appointed federal government representative by the Energy Minister on 4 February 2009 with the specific responsibilities detailed in the Acts of 26 June 2002 and 29 April 1999 and in the Royal Decrees of 16 June 1994 and 5 December 2000, as set out in Article 21 of the Articles of Association and in the Corporate Governance Charter.

Presence of the Chairman of the Executive Board

As Chairman of the Executive Board, Walter Peeraer is routinely invited to attend meetings of the Board of Directors.

Secretariat

Nicolas Daubies acts as secretary to the Board of Directors.

Activity report

Issues examined

The members of the Board seek to adopt decisions by consensus. In 2011, the Board addressed the following main issues:

- Fluxys' strategy, including cooperation projects between European grid operators;
- the 2011-2012 budget;
- the ten-year investment programme (2012-2021);
- HSEQ policy;
- preparation of the company's annual and half-yearly accounts and those of its subsidiaries, as well as associated press releases;

- drafting the annual financial report for the financial year 2010 and the half-yearly financial report as at 30 June 2011;
- drafting interim statements to be released on 10 May and 16 November 2011;
- restructuring of the group;
- projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - the second extension of the Zeebrugge LNG terminal;
  - the Alveringem-Maldegem pipeline project (in connection with participation in the LNG terminalling project at Dunkirk);
  - introduction of the entry/exit system;
- changes in the legal and regulatory framework, including:
  - follow-up of the tariff agreement with CREG;
  - keeping abreast of developments in disputes and action brought in order to safeguard the company's interests;
  - the European Energy Programme for Recovery (EEPR) and the Third Energy Package;
  - the certification procedure;
- the 2012-2015 tariff proposal;
- commercial activities;
- the ramifications of the case surrounding the Ghislenghien accident;
- convening the Annual General Meeting and the Extraordinary General Meetings;
- tabling amendments to the Articles of Association;
- amendments to the composition of the Board of Directors and the various committees;
- amendments to the Corporate Governance Charter and the internal rules of procedure;
- examination of reports by the Strategy Committee, the Audit Committee, the Appointment and Remuneration Committee and the Corporate Governance Committee;
- evaluation of the Board of Directors, individual directors and the advisory committees;
- approval of work and supply orders worth over €20 million.

Frequency of meetings and attendance levels

Director attendance at Board meetings was as follows:

	Attendance
Daniël Termont	8 out of 8 meetings
Claude Grégoire	7 out of 8 meetings
Marianne Basecq	7 out of 8 meetings
Sophie Brouhon	7 out of 8 meetings
Jean-Jacques Cayeman	7 out of 8 meetings
Paul De fauw	5 out of 8 meetings
Caroline De Padt	6 out of 8 meetings
Hélène Deslauriers	4 out of 4 meetings
Mireille Deziron	8 out of 8 meetings
André Farber	5 out of 8 meetings
Luc Hujoel	5 out of 8 meetings
Luc Janssens	6 out of 8 meetings
Monique Lievens	8 out of 8 meetings
Patrick Moenaert	7 out of 8 meetings
Walter Nonneman	8 out of 8 meetings
Josly Piette	8 out of 8 meetings
Yves Rheault	2 out of 2 meetings
Macky Tall	1 out of 3 meetings
Henriette Van Caenegem	5 out of 8 meetings
Christian Viaene	6 out of 8 meetings
Luc Zabeau	8 out of 8 meetings

1.4.8. Committees formed by the Board of Directors

Strategy Committee

Composition of the Strategy Committee

The Strategy Committee comprises eight non-executive directors, of whom at least one third must be independent under the provisions of the Gas Act.

Chairman
Claude Grégoire

Vice-Chairman
Daniël Termont, Chairman of the Board of Directors

Members
Sophie Brouhon*
Caroline De Padt*
Luc Hujoel
Patrick Moenaert
Walter Nonneman*
Yves Rheault (since 1 September 2011)
Macky Tall (from 25 May 2011 to 1 September 2011)

** Independent directors under the provisions of the Gas Act.*

Federal government representative acting in an advisory capacity
François Fontaine

Invited in an advisory capacity
Walter Peeraer, Chairman of the Executive Board and CEO
Christian Viaene, Director

Secretariat
Nicolas Daubies acts as secretary to the Strategy Committee.

Issues examined

The Strategy Committee was set up within the Board of Directors in accordance with Article 17.3 of the Articles of Association. It has no decision-making powers but is responsible for preparing draft decisions to be submitted to the Board of Directors for approval in accordance with the applicable legal, regulatory and statutory provisions. Within this framework, the Strategy Committee also monitors implementation of the Board's decisions. The members of the Strategy Committee seek to adopt decisions by consensus. In 2011, the Strategy Committee addressed the following issues:

- Fluxys' strategy, including cooperation projects between European grid operators;
- the ten-year investment programme (2012-2021);
- HSEQ policy;
- projects and research into projects related to the continuing development of the group's activities in Belgium, including:
    - the second extension of the Zeebrugge LNG terminal;
    - introduction of the entry/exit system;
- changes in the legal and regulatory framework, including:
    - follow-up of the tariff agreement with CREG;
    - keeping abreast of developments in disputes and action brought in order to safeguard the company's interests;
    - the European Energy Programme for Recovery (EEPR) and the Third Energy Package;
    - the certification procedure;
- the 2012-2015 tariff proposal;
- the ramifications of the case surrounding the Ghislenghien accident;
- commercial activities and grid operation;
- the company's financial position;
- the risks and opportunities associated with changes in grid access rules.

Frequency of meetings and attendance levels

The Strategy Committee met seven times in 2011.

Director attendance at Strategy Committee meetings in 2011 was as follows:

	Attendance
Claude Grégoire	7 out of 7 meetings
Daniël Termont	5 out of 7 meetings
Sophie Brouhon	4 out of 7 meetings
Caroline De Padt	2 out of 7 meetings
Luc Hujoel	4 out of 7 meetings
Patrick Moenaert	7 out of 7 meetings
Walter Nonneman	6 out of 7 meetings
Macky Tall	2 out of 2 meetings
Yves Rheault	3 out of 3 meetings
Christian Viaene	7 out of 7 meetings

Audit Committee

Composition of the Audit Committee

The Audit Committee comprises seven directors, of whom at least one third must be independent. At least one independent director must have the required expertise in accounting and auditing.

Chairman
Paul De fauw

Members
Marianne Basecq*
Sophie Brouhon*
Jean-Jacques Cayeman
André Farber*
Macky Tall (from 25 May 2011 to 1 September 2011)
Yves Rheault (since 1 September 2011)
Henriette Van Caenegem*

** Independent directors under the provisions of the Gas Act.*

Accounting and auditing expertise of the members of the Audit Committee[3]

Paul De fauw:
- graduate in applied economics and commerce from the *Katholieke Universiteit Leuven* (Catholic University of Leuven)
- CEO of a distribution system operator for over 15 years and prior to that CFO of that same distribution system operator for 10 years. He is CEO of the official representative association Infrax cvba, Deputy Director of *Vlaamse Energieholding* (Flemish energy holding) and has been a member of the audit committees and risk

[3] Pursuant to the Belgian Company Code (Article 96), the independence and expertise in accounting and auditing of at least one member of the Audit Committee must be accounted for in the annual report.

committees of various companies in the energy, telecommunications and cabling sectors for several years.

Marianne Basecq:

- graduate in business administration (commerce and management) from the University of Liège, 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 administration
- 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)
- French Community Government Commissioner in charge of the control and audit of the public-utility institutions falling under the authority of the French Community.

Jean-Jacques Cayeman:

- graduate in business
- since 1985, in charge of financial and accounts management for an intermunicipal company (economic development, consultancy and management); since 1993, also active in the energy sector, responsible specifically for managing towns' stakes in energy companies
- within these roles, involved in monitoring and auditing various companies.

André Farber:

- holder of a PhD in applied economics and emeritus professor at the *Université Libre de Bruxelles* (Brussels Free University)
- university lecturer in finance for over 30 years; also a director and member of a bank audit committee and formerly Accounting Director for the *Université Libre de Bruxelles*.

Yves Rheault:

- degree in business and administration
- performed CEO and financial management roles at a Canadian energy company
- sat on the audit committee of companies in Canada and the United States

- actively involved in implementing investment projects by Canadian financial institutions in the fields of energy and infrastructure.

Macky Tall:

- holder of a bachelor's degree in Business (Finance) from HEC Montréal Business School and an MBA (Finance) from the University of Ottawa
- since 2009 has been responsible for managing the infrastructure investment portfolio for ports, airports, tollroads, etc.
- has acquired experience in the financial sector by holding senior management positions in companies such as Hydro-Québec, MEG International, Novergaz and as director of Gaz Metro and Interconnector.

Henriette Van Caenegem:

- holds a law degree from Ghent University and a Master of Laws (LL.M. Cantab, Cambridge)
- as a corporate lawyer, risk management was one of her key roles, while as former General Counsel for UCB and current Chief Legal Officer for Tessenderlo Group she is well versed in the financial aspects of company management, having handled numerous takeovers; risk management is now one of her main tasks.

Secretariat

Nicolas Daubies acts as secretary to the Audit Committee.

Issues examined

The Audit Committee was set up within the Board of Directors to assist the latter. The members of the Audit Committee seek to adopt decisions by consensus. In 2011, the Committee addressed the following main issues:

- the company's accounts as at 31 December 2010 and 30 June 2011 as well as associated press releases (financial part);
- the annual financial report for 2010 and the half-yearly report as at 30 June 2011;

- the principles governing the closing of accounts;
- interim statements released on 10 May and 16 November 2011;
- examination of the work of the auditor;
- the organisation of Fluxys G, and the distribution of costs between Fluxys G SA and Fluxys SA;
- examining the internal control and risk management system;
- goals, timetable and activities of the internal audit in 2011;
- following up on the recommendations made in the wake of the internal audit in 2010;
- assessing the efficacy of the internal audit;
- analysing the risks to which the company is exposed;
- stripping of assets.

Frequency of meetings and attendance levels

The Audit Committee met five times in 2011. Director attendance at Audit Committee meetings in 2011 was as follows:

	Attendance
Paul De fauw	5 out of 5 meetings
Marianne Basecq	4 out of 5 meetings
Sophie Brouhon	2 out of 5 meetings
Jean-Jacques Cayeman	5 out of 5 meetings
André Farber	4 out of 5 meetings
Yves Rheault	2 out of 2 meetings
Macky Tall	0 out of 1 meeting
Henriette Van Caenegem	3 out of 5 meetings

Appointment and Remuneration Committee

Composition of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee comprises eight directors, of whom the majority must be independent.

Chairman
Christian Viaene

Members
Marianne Basecq*
Sophie Brouhon*
Hélène Deslauriers* (since 25 May 2011)
Caroline De Padt*
Mireille Deziron
Luc Hujoel
Walter Nonneman*

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

** Independent directors under the provisions of the Gas Act.*

Issues examined

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. The members of the Appointment and Remuneration Committee seek to adopt decisions by consensus. In 2011, the Appointment and Remuneration Committee addressed the following main issues:

- compilation of the draft remuneration report;
- opinion on the appointment of new directors;
- opinion on the reappointment of a director whose term of office had expired;

- the objectives for the Chairman and members of the Executive Board;
- the recommendation on remuneration for the Chairman and members of the Executive Board (fixed and variable remuneration);
- compiling evaluation forms for the Board of Directors, committees and directors;
- amending the internal rules of procedure of the Appointment and Remuneration Committee following changes in the legislation on company law;
- recommendations on succession planning at Fluxys;
- discussion of Fluxys' image in the press.

Frequency of meetings and attendance levels

The Appointment and Remuneration Committee met five times in 2011. Director attendance at Appointment and Remuneration Committee meetings in 2011 was as follows:

	Attendance
Christian Viaene	5 out of 5 meetings
Marianne Basecq	4 out of 5 meetings
Sophie Brouhon	2 out of 5 meetings
Hélène Deslauriers	2 out of 2 meetings
Caroline De Padt	4 out of 5 meetings
Mireille Deziron	3 out of 5 meetings
Luc Hujoel	5 out of 5 meetings
Walter Nonneman	4 out of 5 meetings

Corporate Governance Committee

Composition of the Corporate Governance Committee

The Corporate Governance Committee comprises seven non-executive directors, of whom at least two thirds must be independent under the provisions of the Gas Act.

Chairman
André Farber*

Members
Sophie Brouhon*
Hélène Deslauriers* (since 25 May 2011)

Luc Janssens
Monique Lievens*
Henriette Van Caenegem*
Luc Zabeau

Secretariat
Nicolas Daubies acts as secretary to the Corporate Governance Committee.

** Independent directors under the provisions of the Gas Act.*

Issues examined

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. The members of the Corporate Governance Committee seek to adopt decisions by consensus. In 2011, the Corporate Governance Committee addressed the following main issues:

- preparation of the 2010 annual report by the Corporate Governance Committee drafted on the basis of Article 8/3 §5, 3° of the Gas Act;
- opinion on the appointment of a new independent director.

Frequency of meetings and attendance levels

The Corporate Governance Committee met three times in 2011. Director attendance at Corporate Governance Committee meetings in 2011 was as follows:

	Attendance
André Farber	3 out of 3 meetings
Sophie Brouhon	3 out of 3 meetings
Hélène Deslauriers	0 out of 0 meetings
Luc Janssens	3 out of 3 meetings
Monique Lievens	3 out of 3 meetings
Henriette Van Caenegem	1 out of 3 meetings
Luc Zabeau	2 out of 3 meetings

1.4.9. Evaluation of the Board of Directors

The Corporate Governance Charter stipulates, inter alia, that the Board of Directors, under the leadership of its Chairman, must:

- regularly, and at least once every three years, examine and assess its own efficiency and that of the company's management structure and of its committees (size, composition), in particular the role and tasks of the various committees of the Board of Directors;
- examine annually how it interacts with the Executive Board;
- regularly examine and assess the contribution made by each director, so as to be able to adjust the composition of the Board of Directors to changing circumstances and within the framework of the re-appointment process.

Accordingly, in 2011 the Board of Directors carried out an evaluation based on a questionnaire completed by each member individually. The questionnaire covered the following subjects:

- the functioning of the Board of Directors and its committees (number and frequency of meetings, quorum, relevance of agenda items, procedural aspects of meetings, quality of minutes, etc.);
- ascertaining whether the Board of Directors could fulfil its role adequately and whether key issues were properly prepared and suitably handled;
- evaluating the interaction between non-executive directors and management (information flow, supervision, etc.);
- appraising the tangible contribution made by each director (interventions in meetings, training, knowledge of tasks and responsibility, etc.);
- stating whether the composition of the Board of Directors was appropriate (number, complementary skill sets, representation of shareholders, etc.).

An external adviser analysed the responses to the questionnaire and concluded that, overall, the members of the Board of Directors were satisfied to very satisfied with the functioning of the Board and its committees.

In addition to the annual evaluation, the Corporate Governance Charter also states that each advisory committee must review its internal rules of procedure and overall efficiency at least every two years.

1.4.10. Remuneration report

Board of Directors: procedures, principles and emoluments

Remuneration policy

The procedure for drawing up the remuneration policy for members of Fluxys' Board of Directors is as follows: the Appointment and Remuneration Committee makes a number of recommendations; based on these recommendations, the Board of Directors comes up with a proposed remuneration policy for directors; the remuneration policy is then approved by the Annual General Meeting.

Remuneration level

During financial year 2011, Fluxys determined the directors' remuneration level in line with the principles outlined in the Articles of Association and the Corporate Governance Charter.

The Annual General Meeting has set the overall annual amount of emoluments for directors and the government representative at a maximum of €360,000 per year (subject to indexing) as from 1 January 2007. The Board of Directors distributes the overall amount between the directors on the basis of the workload their individual roles require within the company. Directors also receive an attendance fee of €250 for each Board and committee meeting.

Within the limits of the maximum amount, the following sums are also awarded:

- an index-linked share of €8,000 (as at 1 January 2006) for members of the Board of Directors and the government representative, and an additional share for the Chairman of the Board;
- an additional half share for members of special committees (including for the government representative within the Strategy Committee and directors invited to sit on committees in an advisory capacity) and the Chairman of the Strategy Committee.

Where directors serve for only part of a given year, their remuneration for that year is determined on a pro rata temporis basis.

Directors receive neither performance-related remuneration, such as bonuses or long-term, share-related incentive schemes, nor benefits in kind or pension-plan benefits.

Directors' emoluments

For their work on Fluxys' Board of Directors and its various committees, the directors received the following emoluments and attendance fees:

Name	Total (€)
Daniël Termont	25,498.60
Marianne Basecq	21,548.88
Sophie Brouhon	31,198.32
Jean-Jacques Cayeman	16,349.16
Paul De fauw	15,849.16
Caroline De Padt	20,798.88
Hélène Deslaurier	12,587.43
Mireille Deziron	16,099.16
André Farber	21,798.88
Claude Grégoire (1)	21,298.88
Luc Hujoel (2)	21,298.88
Luc Janssens	15,599.16
Monique Lievens	17,099.16
Patrick Moenaert	16,849.16
Walter Nonneman	23,298.88
Josly Piette (1)	10,899.44
Yves Rheault (3)	7,650.72
Macky Tall (3)	5,936.71
Henriette Van Caenegem	20,048.88
Christian Viaene (4)	22,298.88
Luc Zabeau (2)	15,849.16
Total	**379,856.38**

At their request, notification is hereby given that some directors have retroceded their emoluments and attendance fees:

(1) These directors retroceded their emoluments and attendance fees to SOCOFE.
(2) These directors retroceded their emoluments and attendance fees to Interfin.
(3) These directors retroceded their emoluments and attendance fees to the Caisse de dépôt et placement du Québec.
(4) Mr Christian Viaene retroceded his emoluments and attendance fees to Sibelgas.

Federal government representative (attending meetings of the Board of Directors and the Strategy Committee in an advisory capacity):
François Fontaine €16,849.16

The members of Fluxys' Board of Directors hold no paid directorships in other Fluxys group companies.

Executive Board: procedures, principles and remuneration

Remuneration policy

The procedure for drawing up the remuneration policy for members of Fluxys' Executive Board is as follows: the Appointment and Remuneration Committee comes up with a proposal; based on this proposal, the Board of Directors approves the remuneration policy for the Executive Board. The Appointment and Remuneration Committee developed a remuneration policy based on external benchmarking via the internationally recognised HAY methodology and submitted it to the Board of Directors. The remuneration policy seeks to establish a fixed basic salary that is proportionate to the level of responsibility and commensurate with a benchmark salary in the general marketplace, and a variable remuneration that rewards personal and company performance.

Remuneration level

Basic salary. The change in the basic salary is linked to the position of each member of the Executive Board with respect to a benchmark salary in the general marketplace and the assessment of his/her individual performance. The HAY methodology is used to weight each management position and ensure that remuneration is in line with the going market rate.

Performance-related remuneration. The level of performance-related remuneration received is based on the extent to which company and individual objectives have been achieved. Each year, the company objectives for the coming years are detailed in a Management Balanced Score Card compiled on the basis of a long-term strategy. The Management Score Card is used to produce individual Score Cards for each member of the Executive Board. The individual Score Cards are based on collective objectives, personal objectives (some cross-company, some individual), leadership and values. The individual Score Cards are used to determine the extent to which each member of the Executive Board has achieved his or her individual objectives.

On the proposal of the Appointment and Remuneration Committee, Fluxys' Board of Directors decided to introduce, with effect from 1 January 2012, the new rules relating to multi-annual objectives and the spreading of performance-related remuneration (Act of 6 April 2010 enhancing corporate governance in listed companies and autonomous public undertakings and amending the rules on exclusion from employment in the banking and finance sector). As regards the payment of variable remuneration for 2011, Fluxys is covered by the legal derogation from the requirement to spread payment over three years, because the on-target variable remuneration of Executive Board members is not more than 25% of the total annual remuneration.

Remuneration of Executive Board members

Setting of remuneration. For financial year 2011, the Chairman of the Executive Board was evaluated by the Board of Directors, following an opinion by the Appointment and Remuneration Committee, based on the extent to which the stipulated objectives were achieved. Between the annual evaluation of 2011 and that of 2010, the change in the level of achievement of objectives was discussed in the Appointment and Remuneration Committee. The Appointment and Remuneration Committee was also given an explanation by the Chairman of the Executive Board regarding the evaluation of the other members of the Executive Board in 2011.

On 25 January 2012, on the proposal of the Appointment and Remuneration Committee, the Board of Directors set the level of remuneration for the Chairman of the Executive Board for 2011 and, on the proposal of the latter, the total remuneration for other members of the Executive Board. The remuneration granted to members of the Executive Board comprises:

- a basic salary;
- performance-related remuneration depending on the degree to which the objectives set each year have been achieved;
- a pension plan administered in accordance with the rules applicable to companies in the gas and electricity sector;
- other components: expenses to cover insurance and benefits in kind, including gas and electricity sector benefits.

Executive Board members receive neither shares nor share options in the company as part of their basic salary or performance-related pay.

The variable remuneration for the Chairman of the Executive Board is paid partly in cash, with another part being paid into the group insurance scheme. For the other members of the Executive Board, the variable remuneration is paid entirely in cash.

Remuneration awarded to the Chairman of the Executive Board in 2011 *:

Basic salary	€312,000
Variable remuneration	€171,600
Pension	€126,719
Other components	€17,011
Total	€627,330

**The 2011 remuneration is lower than that of 2010 because part of Walter Peeraer's remuneration is paid at the parent company Fluxys G for his role as Chief Executive Officer.*

Total remuneration awarded to other members of the Executive Board in 2011:

Basic salary	€1,013,125
Variable remuneration	€403,870
Pension	€342,588
Other components	€107,132
Total	€1,866,715

Contractual provisions. All members of the Executive Board, except the Chairman, have employee status. The departure of Executive Board members, except the Chairman, is governed by the terms of the Employment Contract Act. In the case of the Chairman of the Executive Board, the contract may be terminated by the company or by the Chairman himself subject to notice or severance pay of six months. The members of the Executive Board hold unpaid offices in other companies within the Fluxys consolidation scope.

If it transpires that a deliberate error has resulted in inaccurate financial data being used as the basis for the variable remuneration, Fluxys will take the error into account in the evaluation process of the individual concerned in the year in which the error is detected.

Remuneration policy for the next two financial years

In view of the expansion of activities of the parent company Fluxys, both in Belgium and abroad, Fluxys' management was restructured with effect from 1 January 2012. Central to this restructuring is an approach based on decentralisation and delegation of tasks, with overall strategy being steered by the Executive Board.

- As of 1 January 2012, the Executive Board consists of four members, structured around integrated areas of responsibility in order to further enhance the transversal approach. To make decision-making more efficient, the Executive Board is assisted by an Executive Committee which, besides the four members of the Executive Board, includes an additional six members, each representing an operational division of the company. In view of the change in responsibilities of Executive Board members, it makes sense to carry out another job weighting in 2012 using the HAY methodology. This may result in changes to the basic salary of the individual members of the Executive Board.
- Furthermore, the three members of the Executive Board and their Chairman will also work for the parent company Fluxys G, and their remuneration will be paid partly for services to Fluxys and partly for services to Fluxys G.

1.4.11. Company management in 2011

The Executive Board is responsible for the operational management of the company.

Walter Peeraer, Chairman of the Executive Board and Chief Executive Officer
Pascal De Buck, member of the Executive Board and Commercial Director
Gérard de Hemptinne, member of the Executive Board and Director Asset Management
Paul Tummers, member of the Executive Board and Director Strategy and Regulatory Affairs
Peter Verhaeghe, member of the Executive Board and Director Infrastructure Projects & Engineering
Michel Vermout, member of the Executive Board and Chief Financial Officer

Bérénice Crabs acted as secretary to the Executive Board in 2011.

In addition to the matters submitted to the Board of Directors (see p. 89), the Executive Board focussed on the following issues:

- *Commercial activities*: services offered, market consultations, relations and negotiations with users of natural gas transmission, natural gas storage and LNG terminalling 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 neighbouring countries;
- *Business development*: potential opportunities to cooperate with other grid operators in Europe, 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*: monitoring transposition of the EU's Third Energy Package into Belgian law, monitoring the petitions submitted at the Court of Appeal regarding CREG decisions;
- *Infrastructure and operations*: grid safety, investment projects and orders of up to €20 million, monitoring of permitting procedures, storage policy, HSEQ, policy and results in relation to accidents at work, debriefing and lessons to be learned from incidents or near-incidents on the grid, monitoring of the Ghislenghien issue, implementing planned actions following the gas leak in Wilsele;
- *Organisation and human resources*;

- *Powers*;
- *Monitoring activities of subsidiaries*;
- *Preparation of dossiers for the Board of Directors.*

As stipulated in its internal rules of procedure, the Executive Board is convened by the Chairman and, in principle, meets once a week.

1.4.12. Transactions and other contractual relations

The group's Corporate Governance Charter lays down a procedure for transactions and other contractual relations between directors or members of the Executive Board and the company or its subsidiaries and which do not fall within the scope of Article 523 of the Company Code.

This procedure is as follows:

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them. They must organise their private and business affairs in such a way as to avoid as far as possible any situation in which a personal conflict of interests may arise between themselves and the company or its subsidiaries.

In the event of any doubt on the part of a director or member of the Executive Board as to whether such a conflict of interests is present, he or she must notify the Chairman of the Corporate Governance Committee accordingly.

Where a personal conflict of interests is present, the director or member of the Executive Board concerned must, without being asked, withdraw from the Board of Directors' meeting while the matter in question is being discussed and must not take part in the voting, including by proxy, on said matter. Reasons for this abstention must be stated in accordance with the terms of the Company Code.

Where a conflict of interests is deemed to be present, the purpose and conditions of the transaction or other contractual relationship must be communicated to the Board of Directors by its Chairman. The Board of Directors is also required to approve said purpose and conditions (or refer them to the Board of Directors of the subsidiary concerned for approval) where the total amount of the transaction or accumulated transactions over a three-month period is in excess of €25,000.

The Board of Directors was not required to implement the above procedure during the financial year 2011.

1.4.13. Auditor

At the 2010 Annual General Meeting, the mandate of Deloitte SCRL, Réviseurs d'entreprise, represented by Mr Jurgen Kesselaers, was renewed for a period of three years.

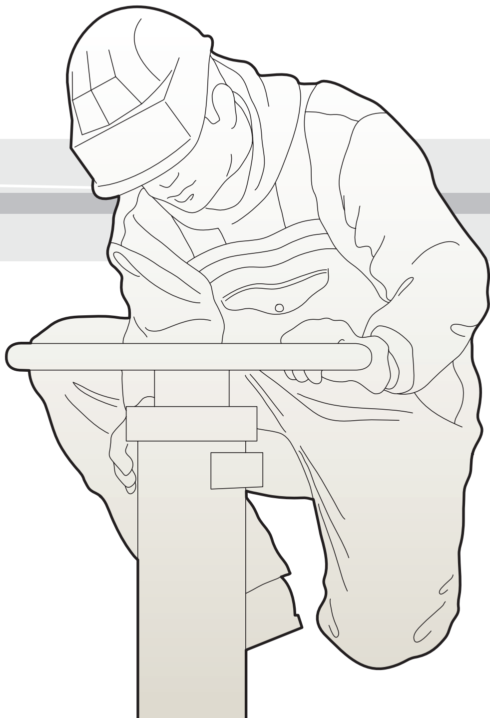
The Annual General Meeting determined the annual emoluments for Deloitte SCRL, Réviseurs d'entreprise. In 2011, Deloitte received emoluments totalling €174.210 for its work as Fluxys' auditor. Deloitte also performed other tasks worth a total of €12,050.

1.4.14. Subsidiaries

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

02 SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT



2.1 Operating safely

2.1.1 Safety: a day-to-day priority

As operator of the natural gas transmission grid in Belgium, safety is Fluxys' number one priority and the bottom line in everything we do. More than half of our 1,000 staff are involved in building secure facilities and operating them safely.

Safe infrastructure. The utmost care is taken when determining the route of any new pipeline and Fluxys considers an array of criteria such as existing and planned industrial and residential areas. Route plans are discussed with local and regional authorities at various stages throughout the process. Once the route has been determined, the process of obtaining the necessary permits begins, with safety as a top priority.

Fluxys is also meticulous in its choice of materials. The company's high-pressure pipelines are made of steel and meet all applicable European and international standards. The pipes undergo the most stringent quality-control procedures possible at the factory and these procedures are overseen by a recognised independent inspection body. The pipes also have a synthetic coating system and are fitted with a cathodic protection system to prevent corrosion.

Work on building new infrastructure is also carried out under strict safety rules. Fluxys only uses qualified and SCC-certified contractors (Safety Checklist for Contractors) and requires that excavator and hoisting-device operators, welders and other personnel performing hazardous jobs hold the relevant professional qualifications. Pipelines are laid a minimum of 1.1 m below ground while the minimum legal depth is 80 cm. A bright orange warning mesh and a warning ribbon (listing the type of product being transmitted through the pipeline, Fluxys' name and an emergency contact number) are installed 30 cm above the pipeline. Fluxys also carries out a number of checks: while laying the pipeline, every weld is inspected and prior to commissioning Fluxys conducts a range of resistance and leak tests – all under the supervision of a recognised independent inspection body. The pipeline is only commissioned once the inspection body has issued a Quality Release Note certifying that the pipeline meets all applicable standards.

Gas leak in Wilsele. On 11 November 2010, a gas leak occurred during commissioning of a new pipeline in Wilsele. Fortunately, nobody was hurt in the incident. Fluxys immediately launched an investigation and as a result, steps have been taken to avoid incidents of this kind of errors from happening again.

Safety Soul. The Safety Soul project was launched company-wide in order to further strengthen the safety culture at Fluxys, permanently reduce the number of incidents and improve the personal safety of all employees.

Safety Soul is intended to permanently improve both process safety and occupational safety at Fluxys. The aim is to embed safety even deeper in operational activities and to achieve operational excellence in all areas. This is being done by, for example, enhancing technical training and technical audits and by promoting a stronger feedback culture throughout the company.

Active prevention. Most gas transmission pipeline incidents are the result of damage to the pipes during work in the area. Therefore, anyone wishing to carry out work close to Fluxys pipelines has a legal obligation to inform the company in advance. Since 2006, notifying works has been quick and simple thanks to the Federal Cable and Pipeline Information Database (CICC/KLIM) website. Using a sophisticated document management system, a dedicated team within Fluxys handled approximately 53,000 notifications in 2011.

Fluxys is not notified of all works being carried out in the vicinity of its infrastructure and the company conducts regular inspections to identify such works. More than 60 Fluxys patrol officers, based in eight regional operating sectors, inspect the pipeline system every day. Fluxys also runs a range of programmes to provide information and raise awareness about how to work safely in the vicinity of its infrastructure. These programmes are aimed at all those involved in such work, e.g. architects, developers, designers, contractors, owners and operators, municipalities, notaries and the emergency services.

Always on standby. Over 300 staff are on standby at both Fluxys headquarters and its regional operating sectors to take immediate action should technical problems occur or the smell of gas be reported. Fluxys dispatchers in the dispatching office control natural gas flows on the Fluxys grid 24 hours a day. The dispatching office also coordinates the response to reports of the smell of gas as well as to incidents and accidents. If an incident occurs on the grid, Fluxys' technicians and specially trained welders are also on standby around the clock to carry out repairs on site.

2.1.2 Integrated Quality & Safety Management System

Fluxys monitors the integrity of its transmission infrastructure from the design stage, through the construction phase to final operation. Safety is thus being managed through a chain of closely interlinked processes. To ensure a structured and targeted approach, Fluxys has set up an integrated management system known as the Quality & Safety Management System (QSMS), which incorporates the legal requirements and standards by which the company is bound in terms of well-being at work, industrial safety, environmental protection and quality.

The QSMS is based on the principle of continuous improvement: Fluxys' processes and procedures are constantly reviewed to take account of a range of factors such as the latest technological developments. In 2011, Fluxys and Fluxys LNG staff attended a total of approximately 16,500 hours of safety training.

Each year, the authorities responsible for the safety of Seveso facilities conduct a QSMS follow-up audit. During these audits, the QSMS is reviewed using special technical tools and remedial actions are monitored. Internal system assessments are also conducted to evaluate, and if necessary enhance, the efficiency of the QSMS.

2.1.3 Awareness-raising campaigns

Serious pipeline incidents arise mainly from damage caused by third parties. That is why Fluxys has, for many years, 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 emphasis is placed on 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.

Initiatives for municipalities

Individual information meetings for municipalities. In 2011, Fluxys completed its programme of holding an information meeting with the authorities of each of the 395 municipalities with a Fluxys pipeline sited either within the municipality itself or in its immediate vicinity at some stage during their term of office. 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.

In election year 2012, Fluxys will continue to host information meetings at municipalities' request. Once the new municipal councils have been formed, a new programme of information meetings will be launched.

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

Collaboration with the fire and police services

Pipeline maps. As a member of the Federation of Belgian Pipeline Companies (Fetrapi), Fluxys has its pipeline data incorporated into a continuously updated database. In collaboration with the Crisis Centre and Civil Security DGs within the Federal Public Service Home Affairs, the database is being made available online to fire brigades.

Every five years, local fire and police services are also sent a full overview of all Fluxys pipelines present in their area. If new pipelines are commissioned or existing pipelines are moved during that five-year period, the fire and police services concerned are automatically sent a copy of the updated maps.

Pipeline data are also included in databases held by Communication and Information Centres (CICs), the emergency 101 control rooms to which all calls for police assistance are routed. When processing a call, these centres can consult the plans immediately to check whether the situation affects Fluxys or other Fetrapi members. The 100 and 101 centres in some provinces have been merged into a single centre.

In 2011, Fluxys joined forces with the fire brigade and the Federal Public Service (FPS) Home Affairs to develop a new Medium-Pressure Natural Gas Action Card, complementing the existing High-Pressure Action Card. These Action Cards provide the fire brigades with step-by-step guidance for call-outs to incidents involving natural gas pipelines. In collaboration with Fetrapi and Fluxys, the FPS Home Affairs developed a new training module on the Action Card for the fire brigades.

Emergency and intervention planning. In the context of the guide to emergency measures in relation to pipelines used to transport gas and liquids, Fluxys is always willing to assist municipalities and provinces when drafting intervention plans. As part of this, Fluxys and the fire brigades hold joint exercises to practise the emergency plans. In 2011, such exercises were organised at Ravels and Brasschaat.

Information sessions. When organising information sessions for municipalities, Fluxys routinely asks representatives from the local fire brigade and police force to attend as well. In addition, Fluxys always follows up requests from fire brigades or police forces to organise individual information meetings.

Training. In cooperation with the Walloon *Fédération Royale des Corps des Sapeurs-pompiers de Belgique* (Royal Federation of Belgian Fire Brigades), Fluxys hosted two information meetings about safety measures and interventions involving natural gas in high-pressure pipelines. All fire brigades in Wallonia were invited to the meetings. An accompanying DVD was also produced and distributed.

Initiatives for the construction sector

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

In 2011 as in previous years, Fluxys participated in information sessions and round-table discussions on work in the vicinity of pipelines and on use of the CICC/KLIM platform and the Cable and Pipeline Information Portal (KLIP) (see p. 122). These sessions are organised for various organisations such as contractors and engineering firms.

Information for contractors and excavation-machine operators. Fluxys has put together a special brochure setting out the rules to be observed when carrying out work in the vicinity of pipelines and the notification procedure to be followed by anyone planning construction works in the vicinity of Fluxys infrastructure. The brochure is aimed at excavation-machine operators and excavation workers, contractors, developers, architects and consulting engineers.

The brochure is available on the Fluxys website and is also distributed by Fluxys patrol officers and via employer's organisations such as *Bouwunie*, the *Confédération de la Construction*, the *Vlaamse Confederatie Bouw*, VC-CS, BIB.Co and the National Action Committee for Safety and Health in the Construction Industry (CNAC-NAVB).

Initiatives for owners and operators

Fluxys runs an ongoing programme in which it contacts around 70,000 landowners and operators, at least once every six years, to remind them that an underground gas pipeline passes through or close to their land. Fluxys notifies such parties of the presence of pipelines by way of an eye-catching direct mailing.

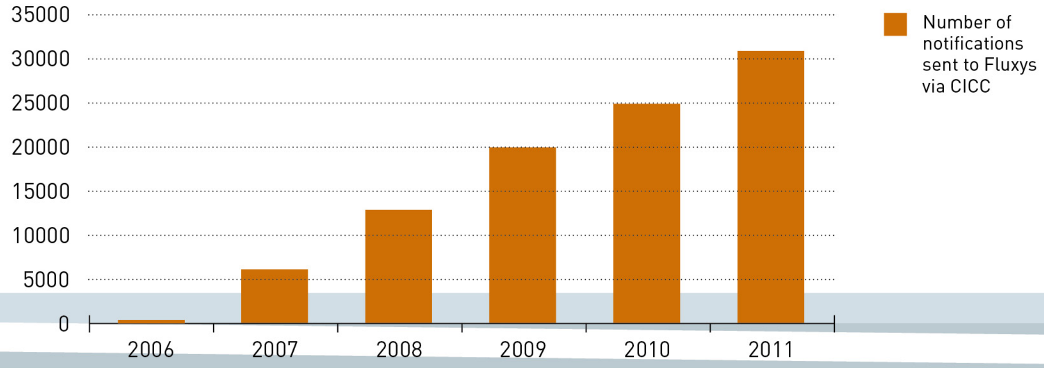
2.1.4 Simplifying notification of works

CICC/KLIM: notification of works made quick and simple. CICC/KLIM, the Federal Cable and Pipeline Information Database, is operated by the non-profit association CICC/KLIM. Apart from Fluxys, the main members of the latter are Elia and the other pipeline companies belonging to Fetrapi. Using the CICC/KLIM website, anyone can notify the owners of high-voltage cables and pipeline infrastructure used to transport gaseous and other products about work to be carried out in Belgium. The portal makes it simpler to meet the legal requirement to provide notification of works.

In Wallonia and the Brussels-Capital Region, CICC/KLIM is evolving into the general portal for location plan requests. Among others, the largest system operators in these regions joined the initiative in 2011.

Since it was first launched, use of the CICC/KLIM platform has increased considerably. Of all CICC/KLIM consultations in 2011, over 31,000 pertained to Fluxys as compared with 25,000 in 2010. Fluxys received some 60% of all notifications via the CICC/KLIM portal in 2011, compared with just 24% in 2008.

In total, Fluxys received around 53,000 notifications in 2011, significantly fewer than the 57,000 received in 2010. That is because a substantial proportion of the direct notifications to Fluxys turn out not to relate to Fluxys pipelines. If such notifications are made via CICC/KLIM, they are filtered out by the system. Because more and more notifications are being made through CICC/KLIM, the total number of notifications that reach Fluxys is falling, although the number actually involving Fluxys is rising.



NUMBER OF NOTIFICATIONS SENTO TO FLUXYS VIA CICC

The federal CICC/KLIM platform has a Flemish counterpart called the Cable and Pipeline Information Portal (KLIP). CICC/KLIM and KLIP are linked: any notifications submitted via CICC/KLIM of works being carried out in Flanders are automatically forwarded to KLIP, while notifications in KLIP are automatically forwarded to CICC/KLIM. As such, parties may use either of the two systems to notify all transmission, telecommunications, drain and cable operators and all natural gas, electricity and water distributers in Flanders.

Small-scale works. Small-scale works in the vicinity of Fluxys pipelines must also be notified. These include connections of properties to the distribution system and repairs to the distribution infrastructure. Fluxys is actively involved in the Fetrapi consultation with other network operators on devising a notification procedure for small-scale works which is more efficiently structured and easier to follow. An agreement with one operator has now been reached. Talks with the other network operators are still ongoing.

2.2 Good neighbourly relations

2.2.1 Infrastructure projects: transparent communication

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 place special emphasis on the company's approach to safety and on the fact that our pipelines and installations constitute a public-interest infrastructure.

To help with communication about infrastructure projects, Fluxys has produced a film showcasing the company and explaining its activities. The film has a modular structure, so can be adapted flexibly to the purpose of each information meeting.

Initiatives for municipalities

Information sessions about new pipeline projects. Since 2008, Fluxys has offered the municipalities the possibility of co-organising with them an information meeting for local residents during the permitting procedures for new pipelines. In 2011, three such information meetings were organised for villages in the Herentals-Ham area.

In 2012, Fluxys plans to overhaul the entire communication process for new pipeline projects. The first step will be to organise information meetings before the actual permitting procedure gets under way. This will allow any comments to be factored into the project at an early stage. In 2011, this approach was adopted for the first time for the Alveringem-Maldegem pipeline project. A total of 10 such sessions were organised for that region.

Site visits. Municipalities and other authorities are regularly invited on site visits and to site meetings whenever a Fluxys works site is in operation in their area. Such visits and meetings are an opportunity for them to monitor progress on the site more closely, enabling them to provide local residents with accurate information about the works being carried out.

Initiatives for local residents

Targeted communication about every project. At the design phase of every new pipeline project, Fluxys sends out a visually appealing brochure containing information for local residents about the project: why the pipeline is needed, the various phases of the work, how the route was determined, who the Fluxys contact person is and the process involved in laying a pipeline. Communication with local residents is a particular focus in other types of project as well.

Open days. In 2011, Fluxys held open days for local residents at the compressor station in Weelde and the junction in Oostwinkel (Zomergem). It also took part in the Open Port Day in June, at its LNG terminal in Zeebrugge.

Initiatives for farmers

Since the vast majority of Fluxys' pipelines are laid under farmland, it is crucial for Fluxys and the farming community to maintain good neighbourly relations. With this in mind, the *Boerenbond*, the *Algemeen Boerensyndicaat* and the *Fédération Wallonne de l'Agriculture* have signed an agreement with Fluxys laying down the compensation for farmers who are temporarily unable to use their fields and meadows when a pipeline is being laid.

During the work, Fluxys also takes special measures as regards throughways and water supplies for livestock, and endeavours to ensure optimum restoration of the land to its original state after the pipeline has been laid.

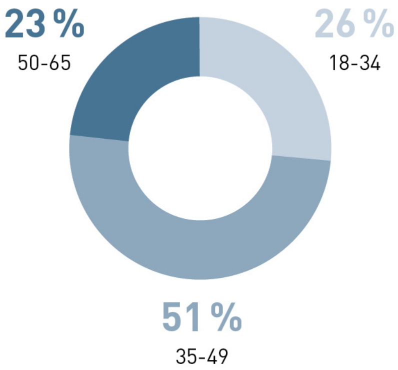
2.2.2 Dedicated Fluxys contacts for owners and operators of land traversed by a pipeline

From the initial planning of a pipeline route right through to site restoration after a pipeline has been laid, owners and operators of land which is traversed by a pipeline 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 contacts 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 contact persons for owners and operators of land after works have been completed.

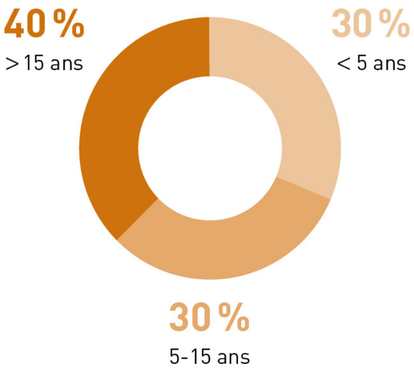
2.3 People: our prime concern

2.3.1 Staff trends

Fluxys currently has over 1,000 skilled and dedicated staff. With 30% of these employees hired within the past five years, the company faces the challenge of integrating new arrivals into existing teams to ensure a smooth transfer of knowledge and to enhance the expertise of the entire staff. The company’s HR policy therefore focuses not only on recruitment but also on retaining and developing its existing human capital, promoting job mobility within the company and further enhancing the skills and knowledge of the company’s staff. Staff are after all the driving force behind the company and Fluxys is keen to provide them with the best possible working environment. The company's values are the bedrock upon which Fluxys' HR policy is built and as such the company expects all staff to embrace these values.



AGE CATEGORIES AT FLUXYS AND FLUXYS LNG



WORK EXPERIENCE AT FLUXYS AND FLUXYS LNG

Recruitment and career development

Recruitment and internships. In 2011, Fluxys and Fluxys LNG took on 51 new members of staff, both to replace retiring employees and to fill new posts. As a result, staff numbers have remained stable. For its recruitment activities, Fluxys uses a multimedia approach and a range of different recruitment channels. As well as posting vacancies on its own website, on the main job sites and in the regional and national press, the company promotes itself at job fairs and especially within the student community (*campus recruitment*). Fluxys also organises its own job events, such as visits to its work sites and operating facilities. All these steps are designed to raise awareness of the company among people who fit its job profiles.

Fluxys has close links with many schools and offers students the opportunity to complete an internship or thesis within the company. In 2011, Fluxys hosted 11 interns studying a variety of different subjects. Fluxys also opened the doors of its LNG terminal in Zeebrugge to technical schools which may, in the future, provide a pool of candidates for positions within the company.

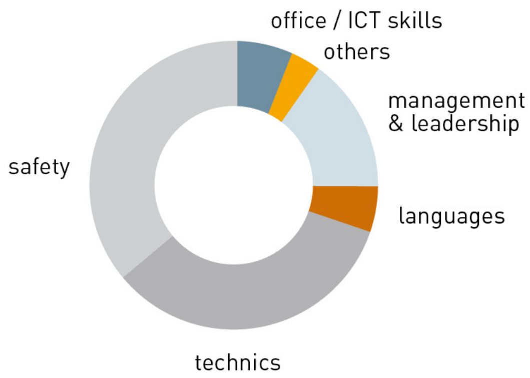
A dynamic career path. Fluxys is keen to offer its staff dynamic career prospects and encourages job mobility, be that in the form of an upward promotion or a sideways move. To this end, vacancies are initially advertised internally to give existing staff the opportunity to apply, while in the case of restructuring within the company every effort is made to ensure that each individual's skills and expertise are put to the best possible use. In 2011, 6.8% of Fluxys staff opted to take on a new role within the company.

Development of skills and knowledge

Fluxys runs a wide range of training courses for its staff and believes it is important that they be given the opportunity to grow and develop throughout their careers. The company's training policy also ensures that the skills and knowledge gained by its staff reflect Fluxys' overall strategy, values and objectives.

A number of intensive information sessions and training courses on specific topics are offered to enhance self-knowledge and develop behavioural skills and cross-company working.

IN 2011, VIRTUALLY ALL FLUXYS STAFF FOLLOWED TRAINING



A personalised welcome for new staff. Throughout their trial period, all new staff members follow a personalised induction programme. The programme includes training sessions on the procedures and working methods employed by Fluxys, site visits and information sessions to explain the company's activities. Managerial staff play an active role in the induction programme and are responsible, along with other staff, for settling new recruits into their team and new working environment.

Preventing alcohol and drug abuse. In accordance with Collective Agreement No. 100 drawn up by the National Labour Council, Fluxys organised training on its alcohol and drugs policy. Alcohol consumption and drug use in the workplace can be dangerous, damage workers' health and adversely affect their ability to do their job.

Skills management. Fluxys views skills management as a means of maximising the potential of its staff and guiding their professional development. The company has therefore begun drawing up competency profiles, to provide the basis for a future-oriented and flexible personnel policy.

Fluxys is also fine-tuning its training administration tool. This tool is used to identify staff training requirements more efficiently and to monitor and consolidate skills.

Mentoring. At Fluxys, every new employee is now assigned a mentor. The mentors are given suitable training to learn how new colleagues can be integrated more quickly and efficiently into the team and into their new job.

Organisational structure adapted

Given the expansion of activities of parent company Fluxys G, both in Belgium and abroad, Fluxys' management was restructured with effect from 1 January 2012. Central to this restructuring is an approach based on decentralisation and delegation of tasks, with overall strategy being steered by the Executive Board:

- A 10-man Executive Committee is responsible for the day-to-day running of the company and the practical implementation of strategic objectives.
- Within the Executive Committee, overall strategy is steered by the Executive Board. The Executive Board is a team of four people structured around integrated areas of responsibility in order to further enhance the transversal approach and make decision-making more efficient.
- Based on the new management structure, Fluxys' internal organisation has been reshaped according to the guiding principle that an integrated, transversal and efficiency-oriented approach is key to promoting effective cooperation within the company. With this in mind, Fluxys is increasingly working with cross-functional teams, project groups and matrix organisations on activities and projects where this approach is appropriate.

Rewards

Fluxys operates a transparent reward structure. In addition to individual performance-related remuneration, staff may be remunerated in line with the extent to which collective objectives are achieved, in accordance with Collective Agreement No. 90 drawn up by the National Labour Council. In 2011, objectives were set in connection with the yearly job evaluation cycle, cost control and safety in the workplace. A one-off net bonus was awarded, proportionate to the achievement of those collective objectives.

Mobility in the regional sectors

In 2009, Fluxys launched a pilot project enabling staff working in a regional operating sector to start their daily work at home rather than having first to sign in at the main sector building. Once the project had been evaluated and conclusions drawn, the system was extended to all operating sectors in the first quarter of 2012.

2.3.2 Well-being at work

Number of accidents. In 2011, 21 accidents resulting in lost working time were recorded at Fluxys and Fluxys LNG; the number of days off work totalled 299. That is a substantial increase compared with 2010, but is still an average score within the gas and electricity sector. One of the aims of the Safety Soul project (see p. 117) is to bring about lasting reductions in these statistics.

Comprehensive Health and Safety Plan. Through its Comprehensive Health and Safety Plan 2011-2015, Fluxys is taking steps to improve the prevention of workplace accidents and incidents. That plan forms the basis for annual action plans. Focal points for the Comprehensive Health and Safety Plan in 2011 included the launch of the Safety Soul project, using a database to track undesirable events and a review of local intervention plans.

Actively raising awareness of safety culture. Fluxys is very diligent in providing training and support for all staff when it comes to safety risks, not only within its technical departments but also in its offices. Special emphasis is placed on regular safety visits to workplaces by line managers. Collaboration on prevention between all departments and between each individual department and contractors is paramount.

Positive SCC audit. Fluxys' Project Management, Supervision & Interventions and Cathodic Protection departments play an active role on work sites and have Safety Checklist for Contractors (SCC) certification (version 2008/4.1). Each year an interim audit is held, with a full recertification audit being conducted every three years. In 2011, the three-yearly recertification audit was successfully completed.

Coordinating safety on temporary and mobile sites. Right from the start of its infrastructure works, Fluxys puts in place a safety, health and environmental protection plan. The company also tries to communicate as much as possible with contractors both prior to and during the works, to ensure that all parties have been properly informed of the potential risks involved. Safety coordination within the company is also organised in such a way as to ensure that the required safety measures are standardised in both the design and implementation phases. They only need to be adjusted to take account of the specific nature and environment of each individual project.

In the case of larger scale projects, Fluxys works with external safety coordinators. Project leaders and study engineers who have completed level-B safety coordinator training are authorised to oversee smaller scale projects.

To better disseminate best practices, Fluxys now brings together safety coordinators once or twice a year to exchange experiences. The first such meeting took place in late 2011.

Safety meeting with framework contractors. During 2011, Fluxys twice invited its main framework contractors to a joint meeting to discuss various aspects of site safety and safety when carrying out maintenance work on Fluxys facilities. The purpose of the meetings was to ensure that the very highest safety standards are adhered to when work is being carried out as well as to enhance dissemination of information and organise safety inspections. The initiatives prompted by discussions at these meetings will be continued in 2012.

Emergency plan exercises. Fluxys holds regular emergency plan exercises on the pipeline network and at its stations. During the exercise at the compressor station in Weelde, the municipal fire brigade was also involved. The aim is to further enhance cooperation with the emergency services by means of joint emergency plan exercises.

2.4 Environment

2.4.1 Key elements in environmental policy

Systematically further reducing minimal environmental impact. Traditional transmission modes are no match for underground pipeline transmission when it comes to use of space, safety, energy efficiency and environmental impact. Of all the various forms of transmission available, transmission by pipeline represents the lowest cost for society. With regard specifically to environmental impact, transmission by pipeline scores highly against all relevant indicators, i.e. noise, air pollution, soil pollution, visual impact and effects on the countryside. Fluxys' environmental policy is designed to further systematically limit the already minimal environmental impact and to this end the company utilises the best available technologies.

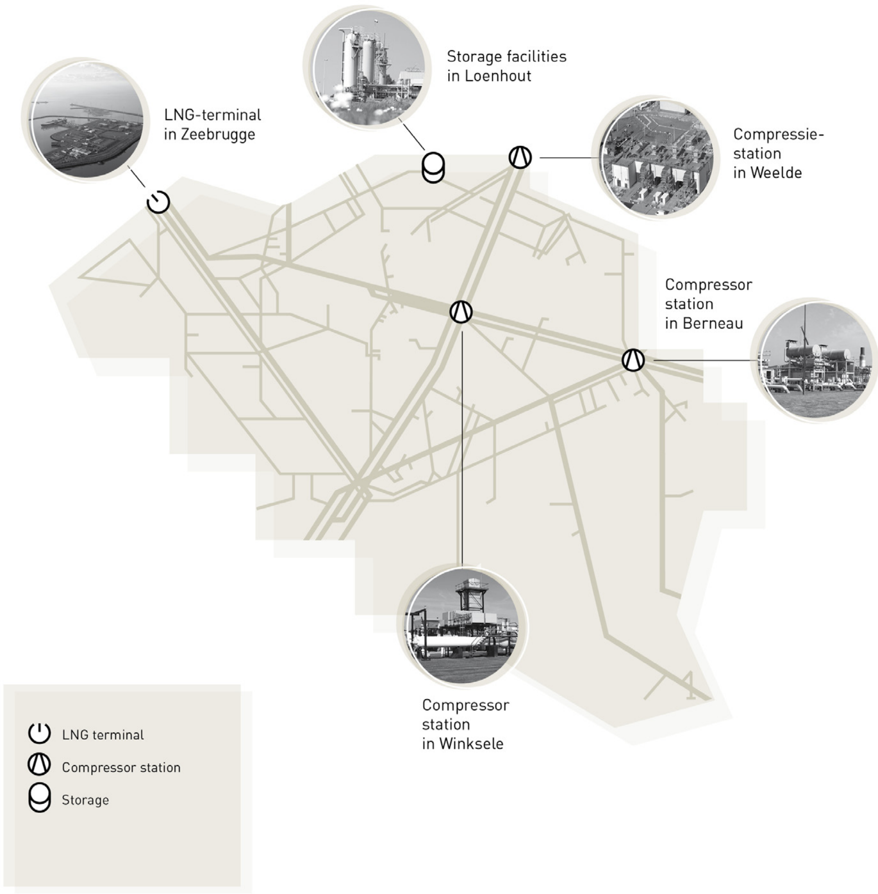
2.4.2 Kyoto sites

Kyoto Protocol. In line with the Kyoto Protocol, the European Union set the maximum permitted level for annual production of greenhouse gases for the period 2008-2012 at 92% of 1990 emissions levels. 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 emissions 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.

For the period 2013-2020, the European Union has amended the Emissions Trading Directive so as to reduce CO_2 emissions in the EU by at least 20% in 2020 compared with 1990 levels. The allocation of free CO_2 emission allowances has been restricted. In 2011, at the request of the regional and European authorities, Fluxys gathered the necessary information to prepare for the next emissions trading period.

Five Kyoto sites. Fluxys has five sites governed by the Kyoto Directive.

- In accordance with the EU Directive, Fluxys holds CO_2 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 used to monitor daily emissions of CO_2 and to report them by type of consumption. Every year, all of the procedures undergo an internal audit for each site concerned. The internal audit conducted in 2011 did not identify any non-conformities.
- Fluxys also prepares an annual emissions report for each Kyoto site in line with the Directive. These reports are then audited externally. The conclusions of this external audit were also positive.



Focus on energy efficiency

Commitment to joining the global energy-efficiency elite

Global benchmark. On its own initiative, Fluxys joined the Flanders Benchmarking Covenant on energy efficiency, whereby the company made a commitment to channel the necessary investment into its Kyoto facilities in order to join and remain in the global energy-efficiency elite. 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 within energy-management plans on improving energy efficiency. Each year, the relevant authority is sent a report on energy-efficiency monitoring during the year.

Energy-management plans. In 2010, in line with the Benchmarking Covenant, the energy-management plans compiled in 2006 were updated. The findings of that update were that the Fluxys facilities involved were among the best in the world in terms of energy efficiency. In 2011, Fluxys remained on course with its planned measures.

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 integrate the most effective solution for improving the project's energy efficiency.

Buildings: energy-saving measures The Energy Performance and Indoor Climate Decrees passed by Flanders, Wallonia and the Brussels-Capital Region 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 examines the possibility of implementing energy-saving measures in its new construction projects. This includes using low-energy lightning and solar water heaters or heat pumps to produce hot water. Fluxys' goal is to adopt the same proactive approach for all buildings in all the Regions.

In 2011, the measures and recommendations prompted by the energy scan of Fluxys' registered office in Brussels in 2008 continued to be implemented. One key measure was the complete renovation and insulation of the building's roof. Newly built, energy-saving administration buildings were completed in 2011 at both the regional operating sector in Wetteren and the compressor stations in Winksele and Weelde.

LNG terminal: open rack vaporiser. In connection with the environmental permit for the first capacity enhancement of the Zeebrugge LNG terminal (2004-2008), Fluxys looked into the feasibility of adding an open rack vaporiser (ORV) to the new regasification facility. An ORV heats LNG using heat from seawater and could lead to a significant reduction in energy consumption. Less frequent use of conventional LNG vaporisers would also mean a reduction in emissions of CO_2 and NO_x.

The environmental performance of the ORV is excellent: once operational, it can be used in combination with the combined heat and power plant to regasify approximately 60% of LNG at the terminal in the most energy-efficient manner each year. Although electricity consumption will rise slightly, primary energy usage will fall by 35%. In addition, emissions of NO_x will drop by 25%, while those of CO_2 will be reduced by around 32% a year.

In 2009, Fluxys decided to build the open rack vaporiser and in June 2010 an environmental permit for the project was issued. The facility is expected to be ready for commissioning in 2012.

2.4.4 Indicators

Soil

Within the framework of its policy to decommission pipelines as safely as possible, in 2010 Fluxys launched a programme to permanently decommission an initial 188 km of disused pipeline. By late 2011, a total of 64 km had been completed. Where necessary, the pipelines were first cleaned of any residue and where the disused pipes were located beneath roads, they were filled with a hardened substance to prevent subsidence. Fluxys has now also decided to permanently decommission a further 332 km of disused pipelines, in a second phase of work.

Noise

Above-ground installations. In recent years, Fluxys has carried out studies and pilot projects on silencing technology. This technology is fitted as standard in new above-ground installations and is gradually being implemented in existing ones. For example, low-noise pressure-reducing equipment has been installed at various points on the network.

At the compressor stations at Winksele and Weelde, action plans were launched in 2011 to further reduce noise levels. The action plans for the Berneau compressor station and the entry point at Raeren continue to be implemented.

Sites. An external company took noise-level readings on Fluxys sites with a view to ascertaining the precise sound levels experienced by local residents and wildlife. It emerged from the study that the steps routinely taken by Fluxys are more than sufficient to keep noise nuisance to an acceptable level.

Air

Fluxys periodically measures emissions at all of its combustion units. These measurements enable the company to fine-tune its units to ensure that their energy efficiency remains optimal and to keep levels of harmful emissions to a minimum.

Fluxys mainly uses natural gas to operate its transmission infrastructure. The combustion of natural gas produces nitrogen oxides (NO_x) and carbon dioxide (CO_2) and 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.

Nature conservation

Fluxys takes great pains to conserve ecosystems in the areas where it builds infrastructure. Where required, the company carries out environmental impact assessments for new projects; these environmental impact assessments must be approved by the relevant authorities.

Environmental impact assessments. The following environmental impact assessments were submitted in 2011 and approved by the authorities:

- extension of the environmental permit for the underground natural gas storage facility at Loenhout;
- new pipeline between Balen and Leopoldsburg;
- new pipeline between Ben-Ahin and Bras.

The following environmental impact assessments are currently under way:

- new pipeline between Wilsele and Loenhout;
- new pipeline between Herentals and Ham;
- new pipeline between Tessenderlo and Diest,
- new pipeline between Opwijk and Zomergem;
- new pipeline between Alveringem and Maldegem;
- new pipeline between Binche and Charleroi;
- new pipeline in Dilsen to supply the future power station at Dilsen-Stokkem;
- fifth storage tank for liquefied natural gas at the LNG terminal in Zeebrugge.

Promoting nature. The route of Fluxys' new RTR2 pipeline in the Fouron region runs close to the Berwinne river. Fluxys has bought a piece of land near the river where it is working with the Flemish authorities to implement a natural development plan. In 2011, all of the planting for the plan was carried out. This essentially involved planting hedges and wooded banks to provide added rural value and to shore up the ecosystem formed by the Berwinne and its surrounding flora and fauna. Fluxys will maintain the site for the next three years before handing it over to the owners.

In the Raeren area, Fluxys planted some 1,900 m of native hedgerows as a compensatory measure. Finally, to lay the RTR2 pipeline, Fluxys carried out 800 m of directional drilling under the Natura 2000 area in Raeren, thereby avoiding any disturbance to wildlife in the area.

03 CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

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

The transmission, storage and LNG terminalling services in Belgium are subject to the Gas Law[5].

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

[5] Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

II. Consolidated financial statements of the Fluxys group under IFRS

A. Consolidated balance sheet

Consolidated balance sheet			In thousands of €
	Note	31-12-2011	31-12-2010
I. Non-current assets		**2,610,631**	**2,827,466**
Property, plant and equipment	12	2,528,848	2,444,505
Intangible assets	13	15,263	295,353
Other financial assets	16	42	39
Finance lease receivables	17	25,303	27,370
Loans and receivables	18/33/35	41,175	60,199
II. Current assets		**617,872**	**724,267**
Inventories	19	43,335	51,902
Other current financial assets	33	25,600	24,368
Finance lease receivables	17	2,067	1,718
Current tax receivable	20	2,673	2,525
Trade and other receivables	21	90,784	59,998
Short-term investments	22	41,984	18,592
Cash and cash equivalents	22	405,622	559,173
Other current assets	23	5,807	5,991
Total assets		**3,228,503**	**3,551,733**

Consolidated balance sheet			In thousands of €
	Note	31-12-2011	31-12-2010
I. Equity	24	**1,362,816**	**1,400,717**
Equity attributable to the parent company's shareholders		1,362,815	1,400,716
Share capital and share premiums		60,310	60,310
Reserves not available for distribution		9,552	6,110
Other reserves		-9,708	-4,353
Retained earnings		1,302,661	1,338,649
Non-controlling interests		1	1
II. Non-current liabilities		**1,540,656**	**1,761,342**
Interest-bearing borrowings	25	1,058,341	1,161,314
Provisions	26	24,423	29,016
Provisions for employee benefits	27	54,443	58,925
Deferred tax liabilities	28	403,449	512,087
III. Current liabilities		**325,031**	**389,674**
Interest-bearing borrowings	25	148,903	86,366
Provisions	26	14,008	178,796
Provisions for employee benefits	27	3,715	3,965
Other current financial liabilities	33	1,989	3,005
Current tax payable	29	53,264	15,129
Trade and other payables	30	100,740	100,314
Other current liabilities	31	2,412	2,099
Total liabilities and equity		**3,228,503**	**3,551,733**

B. Consolidated income statement

Consolidated income statement			In thousands of €
	Note	31-12-2011	31-12-2010
Operating revenue	4	709,857	657,715
Other operating income	5	11,427	11,488
Consumables, merchandise and supplies used	6	-39,128	-34,262
Miscellaneous goods and services	6	-139,653	-144,091
Employee expenses	6	-131,028	-119,881
Other operating charges	6	-9,174	-39,165
Depreciation and amortisation	6	-128,698	-115,865
Provisions	6	184,477	-243
Impairment losses	6	-233,680	1,998
Profit from continuing operations		**224,400**	**217,694**
Gain/loss on disposal of financial assets	7a	0	121,943
Change in the fair value of financial instruments	8	1,477	828
Financial income	7b	13,838	18,578
Financial expenses	8	-52,944	-52,728
Profit/loss from continuing operations after net financial results		**186,771**	**306,315**
Income tax expense	9	-64,692	-58,625
Net profit for the period	10	**122,079**	**247,690**
Fluxys share		122,078	247,355
Non-controlling interests		1	335
Basic earnings per share attributable to the parent company's shareholders in €	11	173.7	352.0
Diluted earnings per share attributable to the parent company's shareholders in €	11	173.7	352.0

C. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		In thousands of €	
	Note	31-12-2011	31-12-2010
Net profit for the period	10	**122,079**	**247,690**
Actuarial gains/losses on provisions for post-employment benefits	26	-8,179	3,738
Translation adjustments		0	97
Income tax expense on other comprehensive income		2,780	-1,271
Other comprehensive income		-5,399	2,564
Comprehensive income for the period		**116,680**	**250,254**
Fluxys share		116,679	249,919
Non-controlling interests		1	335

D. Consolidated statement of changes in equity

Consolidated statement of changes in equity									In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Other reserves	Retained earnings	Translation adjustments	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. CLOSING BALANCE AS AT 31-12-2009	60,272	38	6,110	-6,808	1,310,690	-1,219	1,369,083	19,912	1,388,995
1. Comprehensive income for the period				2,467	247,355	97	249,919	335	250,254
2. Dividends paid					-209,386		-209,386	-450	-209,836
3. Change in consolidation scope				-12	-10,010	1,122	-8,900	-19,796	-28,696
4. Other change							0		0
II. CLOSING BALANCE AS AT 31-12-2010	60,272	38	6,110	-4,353	1,338,649	0	1,400,716	1	1,400,717

Consolidated statement of changes in equity									In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Other reserves	Retained earnings	Translation adjustments	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. CLOSING BALANCE AS AT 31-12-2010	60,272	38	6,110	-4,353	1,338,649	0	1,400,716	1	1,400,717
1. Comprehensive income for the period			3,442	-5,399	118,636		116,679	1	116,680
2. Dividends paid					-154,580		-154,580	-1	-154,581
3. Change in consolidation scope							0	0	0
4. Other change				44	-44		0		0
II. CLOSING BALANCE AS AT 31-12-2011	60,272	38	9,552	-9,708	1,302,661	0	1,362,815	1	1,362,816

E. Consolidated statement of cash flows (indirect method)

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2011	31-12-2010
I. Cash and cash equivalents, beginning balance	**559,173**	**514,389**
II. Net cash flows relating to operating activities	**298,782**	**279,745**
1. Cash flows from operating activities	**415,100**	**353,631**
1.1. Profit from operations	224,400	217,694
1.2. Non cash adjustments	178,915	114,463
1.2.1. Depreciation and amortisation	128,698	115,865
1.2.2. Provisions	-184,476	243
1.2.3. Impairment losses	233,680	-1,998
1.2.4. Translation adjustments	0	96
1.2.5. Other non cash adjustments	1,013	257
1.3. Changes in working capital	11,785	21,474
1.3.1. Inventories	8,567	15,949
1.3.2. Tax receivable	-148	2,313
1.3.3. Trade and other receivables	-2,786	4,513
1.3.4. Other current assets	184	6,305
1.3.5. Tax payable	6,121	3,412
1.3.6. Trade and other payables	426	-12,720
1.3.7. Other current liabilities	313	-296
1.3.8. Other changes in working capital	-892	1,998
2. Cash flows relating to other operating activities	**-116,318**	**-73,886**
2.1. Tax receivable	-124,126	-80,303
2.1.1. Income taxes	-32,678	-58,625
2.1.2. Deferred taxes	-91,448	-21,678
2.2. Interest from marketable securities, cash and cash equivalents	7,852	6,138
2.3. Other inflows (outflows) relating to other operating activities	-44	279
III. Net cash flows relating to investing activities	**-209,937**	**-16,939**
1. Acquisitions	**-258,523**	**-435,080**
1.1. Payments to acquire property, plant and equipment, and intangible assets	-258,520	-396,098
1.2. Payments to acquire subsidiaries, joint ventures or associates	0	0
1.3. Payments to acquire other financial assets	-3	-38,982

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2011	31-12-2010
2. Disposals	**3,684**	**377,445**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	3,684	33,772
2.2. Proceeds from disposal of subsidiaries, joint ventures or associates	0	340,692
2.3. Proceeds from disposal of other financial assets	0	2,981
3. Dividends received classified as investing activities	**0**	**6,266**
4. Government grants received	**44,902**	**34,430**
5. Other cash flows relating to investing activities	**0**	**0**
IV. Net cash flows relating to financing activities	**-242,396**	**-218,022**
1. Proceeds from cash flows from financing	**85,864**	**132,377**
1.1. Proceeds from issuance of equity instruments	0	0
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	1,718	1,395
1.4. Proceeds from other non-current assets	19,024	-60,199
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	65,122	191,181
2. Repayments relating to cash flows from financing	**-105,558**	**-94,079**
2.1. Repurchase of equity instruments subsequently cancelled	0	-28,000
2.2. Purchase of treasury shares	0	0
2.3. Repayment of finance lease liabilities	-20,291	-19,321
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-85,267	-46,758
3. Interest	**-44,729**	**-43,917**
3.1. Interest paid classified as financing	-45,210	-44,259
3.2. Interest received classified as financing	481	342
4. Dividends paid	**-154,581**	**-209,836**
5. Increase (-) / Decrease (+) of short-term investments	**-23,392**	**-2,567**
6. Bank overdrafts increased (decreased)	**0**	**0**
7. Other cash flows relating to financing activities	**0**	**0**
V. Net change in cash and cash equivalents	**-153,551**	**44,784**
VI. Cash and cash equivalents, ending balance	**405,622**	**559,173**

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 by the European Union. All figures are stated in thousands of euro.

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 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.

Note 1c. Date of authorisation for issue

The Board of Directors of Fluxys SA authorised these IFRS financial statements for issue on 14 March 2012.

Note 1d. Changes or additions to the accounting principles and policies

No changes or additions were made to the accounting principles in 2011.

Note 1e. Adoption of new accounting principles or revised IFRS standards

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

- IFRS 9: *Financial Instruments* and consequential amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10: *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11: *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12: *Disclosure of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13: *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Amendment to IFRS 1: *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7: *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7: *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 1: *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 12: *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)
- Amendment to IAS 19: *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 27: *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)

- Amendment to IAS 28: *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 32: *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20: *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

Note 2. Accounting principles and policies

The accounting principles and policies set out below were approved at the Fluxys Board of Directors meeting of 10 March 2010.

Changes or additions compared to 2008 are underlined.

2.1. General principles

The financial statements fairly present Fluxys group's financial position, results of operations and cash flows.

The group's financial statements have been prepared on the accrual basis of accounting, except for the statement of cash flows.

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 balance sheet.

The accounting policies 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 accounted for under the equity method (IAS 28).

Control is defined as the power to govern the financial and operating policies of an entity 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 is not control or joint control over these policies (applicable for annual periods beginning on or after 1 July 2009)

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

2.3. Balance sheet date

The consolidated financial statements are prepared as of 31 December, i.e. the parent company's balance sheet date.

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

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

2.4. Events after the balance sheet date

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 authorization for issue 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 the balance sheet date. Income and expenses are 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 non-controlling interests' share in those differences is reported as 'non-controlling interests' in equity.

2.6. Goodwill

Goodwill represents the excess, at acquisition date, of the cost of a business combination over the purchaser's share in the net fair value of 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 amortisation and any accumulated impairment losses.

Intangible assets with a limited useful life are amortised over their useful life.

Computer software is amortised 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 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 made. The recoverable amount is defined as the higher of the fair value less costs to sell 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 discounting 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 amortisation 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 the balance sheet date of the allowances yet to be purchased.

The excess emission rights not sold on the market are valued at the 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 to identify indications of potential impairment that may have arisen during the financial year. In the event 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 fair value less costs to sell 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 discounting 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 and 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 tax benefit arising from the deductions for investment reduces the gross value of the related assets, the corresponding entry being deferred taxes.

Depreciation methods

PPE is depreciated over its useful life.

Each significant component of PPE is recognized separately and depreciated over its useful life.

The depreciation method reflects the rate at which the group expects to consume the future economic benefits related to the asset.

The regulated investments intended to increase the security of supply in Europe are depreciated under a diminishing balance method, which more accurately reflects the rate at which the group expects to consume the future economic benefits of these assets.

The main useful lives 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,
- 20 years for investments related to the extension of the Zeebrugge LNG terminal,
- 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 and the potential residual value 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 reliably established.

Changes in fair value are recognized directly in other comprehensive income until the asset is derecognized, at which time the cumulative amount in other comprehensive income is transferred from equity 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 payments amounts to at least 90% of the fair value of the leased asset 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
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

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

Gas inventory

Gas inventory changes 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 three months at their acquisition date are reported as financial assets at fair value with changes to 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 hedge its exposure to exchange and interest rate risks.

Certain financial instruments, although hedging clearly defined risks, do not meet the strict criteria for the application of hedge accounting under IAS 39 – Financial Instruments: Recognition and Measurement.

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

2.14. Cash and cash equivalents

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

Cash equivalents are reported at fair value with changes to 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 probable (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 a 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.

'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 relating to post-employment benefits

Actuarial gains and losses arising on the measurement of the unfunded defined benefit obligation are not charged or credited to the income statement. They are recognized directly in equity as other comprehensive income.

2.17. Interest-bearing liabilities

Interest-bearing liabilities are recognized at the net amount received. Following initial recognition, interest-bearing liabilities are recorded at amortised cost. The difference between the amortised 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, borrowings 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 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 recognized as regulatory liabilities (current or non-current) in the balance sheet, whereas losses are deferred as regulatory assets (current or non-current) in the balance sheet.

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 assets reflect the future taxable and deductible temporary differences, respectively, between the book base and the tax base of assets and liabilities.

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

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the future deductible temporary differences can be offset.

Note 3. Acquisitions, disposals and restructuring

Changes in the consolidation scope

Guimard SA

The extraordinary general meetings of Fluxys SA and of its wholly-owned subsidiary Guimard SA decided that Guimard should be absorbed by Fluxys SA.

Guimard SA was the owner of the building used by Fluxys for its central services.

The simplified merger was part of the restructuring of the Fluxys group carried out in 2010 and has no impact on the consolidated financial statements.

Restructuring of the group

In September 2010, the Fluxys group was restructured. The subsidiaries Fluxys Europe, Huberator and GMSL, which were sold on 30 September 2010, continued to contribute to the consolidated profit from ongoing business activities in the first nine months of 2010, to the tune of €21 million. This needs to be taken into account in comparisons with fiscal year 2011.

Definitive valuation of Distrigas & C°'s 'distribution' business

As indicated in the annual report, the accounts for 2008 and 2009 were drawn up in a regulatory environment in which there were major uncertainties about recognition of the results of Fluxys' activities and about the final value of the border-to-border gas transmission business of Distrigas & C° acquired from Distrigas in 2008.

The shareholders at that time, SUEZ-Tractebel and Publigas, provided Fluxys with a guarantee of €250 million to cover the uncertainty involved in the valuation of that business.

Following SUEZ-Tractebel's sale of its stake in the company, Publigas and the Caisse de dépôt et placement du Québec took over the guarantee in full, with their proportions of the guarantee determined in proportion to their respective stakes in the capital of Fluxys' parent company, Fluxys G.

As all parties in 2011 have renounced the pending appeals before the Court of Appeal and the Belgian Council of State, the tariff settlements for 2008 and 2009 become definitive with CREG's approval.

These tariff settlements bring the definitive value of the border-to-border transmission activity of Distrigas & C° to €282 million, which is lower than the agreed value of €350 million and which induces the right to appeal to the guarantee of shareholders for an amount of €68 million, based on the Indemnisation Agreement of 1 July 2008. This evaluation was submitted to a committee of independent directors of Fluxys, which delivered a positive advice in early 2012.

The removal of those uncertainties and the payment of the revised price by the shareholders led to a reduction in the value of Fluxys' intangible assets that have been recognised provisionally in its accounts since 2008; this enables the company to recoup the provisions and debts entered into to cover the underlying regulatory risk.

In view of the simultaneous reversal of deferred tax liabilities and the inclusion of income tax payable, the final settlement of these disputes had zero impact on the net result of the company:

IFRS		In thousands of €
Turnover	A	65,993
Impairment losses on intangible assets	B	-234,572
Use and reversal of provisions for regulatory risks	C	168,579
Total impact on the result from continuing operations		**0**
Income tax receivable for A and C		-79,731
Reversal of deferred tax liabilities for B		79,731
Total impact on the result for the period		**0**

Although equity was not affected either, this development led to a considerable reduction in the balance-sheet total.

Assets (IFRS)	In thousands of €
Intangible assets – Transmission contracts as at 31-12-2010	276,971
Impairment loss on these intangible assets	- 234,572
Transfer to 'Other receivables'– Price revision	- 42,399
Intangible assets – Transmission contracts as at 31-12-2011	0
Other receivables 'Distrigas & C°' as at 31-12-2010	40,013
Transfer of intangible assets – Price revision	42,399
Transfer of associated 'Deferred tax liabilities'	- 14,412
Other receivables 'Distrigas & C°' as at 31-12-2011- Price revision	68,000

Equity and liabilities (IFRS)	In thousands of €
Interest-bearing liabilities as at 31-12-2010	100,656
Use of regulatory liabilities	- 65,993
Interest-bearing liabilities as at 31-12-2011	34,663
Provisions for regulatory risks as at 31-12-2010	168,579
Use and reversal of provisions	- 168,579
Provisions for regulatory risks as at 31-12-2011	0
Deferred tax liabilities as at 31-12-2010	94,143
Use of deferred tax liabilities	- 79,731
Transfer of deferred tax liabilities to 'Other receivables' – Price revision	- 14,412
Deferred tax liabilities as at 31-12-2011	0
Tax liabilities*	79,731

*Prepayments were made in 2011 to cover part of these tax liabilities.

Information on investments

Fully consolidated companies						
Name of the subsidiary	Registered office	Company number	% ownership	Core business	Currency	Closing date
FLUXYS LNG SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	100.00%	LNG terminalling	EUR	31 December
FLUX RE SA	Rue de Merl 74 L - 2146 Luxembourg	-	100.00%	Reinsurance company	EUR	31 December
FLUXYS & Co SA	Avenue des Arts 31 B- 1040 Brussels	0464 255 658	99.98%	LNG ship	EUR	31 December

Note 4. Revenue

Analysis of revenue by business segment:

Revenue under IFRS				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Transmission in Belgium	4.1	537,871	410,526	127,345
Storage in Belgium	4.1	40,992	90,932	-49,940
Terminalling in Belgium	4.1	102,542	93,060	9,482
Other revenue	4.2	28,452	63,197	-34,745
Total		**709,857**	**657,715**	**52,142**

Revenue in the fiscal year 2011 amounted to €709,857 thousand, compared with €657,715 thousand in the fiscal year 2010, an increase of €52,142 thousand.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act.

This revenue aims to ensure a sufficient return on capital invested and to cover the operating charges related to these services as well as depreciation and amortisation and the non-depreciated portion in the tariffs within the decommissioned Regulated Asset Base. However, recovery of the latter is limited to the amount of the investments during the fiscal year.

4.1. Revenue from transmission activities was up by €127,345 thousand compared with 2010. On the one hand, this increase was owing to the development of the grid and the associated capacity, with the RTR2 facilities being commissioned in 2011.

On the other hand, as noted in the foreword to the annual report, revenue from transmission activities was affected in a non-recurrent way by the tariff settlements for 2008 and 2009.

Revenue from storage activities fell by €49,940 thousand. By way of reminder, this revenue was affected positively by a non-recurring item in 2010, namely the decision to close the peak-shaving plant at Dudzele. Pursuant to the tariff legislation, revenue from storage activities was supplemented by the decommissioning costs as well as the non-depreciated portion in the tariffs within the Regulated Asset Base corresponding to these assets. In return, a regulatory asset was booked for an equivalent amount.

Revenue from LNG terminalling activities rose by €9,482 thousand, mainly as a result of the higher cost of energy consumption, which was passed on to customers, and also of the increase in return linked to changes in interest rates.

The group would like to point out that the regulated tariffs applied are among the most competitive in Europe.

4.2 Other revenue in 2010 includes income from the companies Fluxys Europe, Huberator and GMSL until 30 September 2010, the date on which they left the Fluxys SA group following the group's restructuring. The corresponding decline of €34,745 thousand was due mainly to the aforementioned changes in the consolidation scope.

The other revenue in 2011 relates mainly to work for third parties (cathodic protection, etc.), the provision of facilities and our interest in the LNG tanker.

Note 5. Other operating income

Other operating income			In thousands of €
	31-12-2011	31-12-2010	Change
Other operating income	11,427	11,488	-61

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

Note 6. Operating expenses

Operating expenses excluding net amortisation, depreciation and provisions				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Consumables, merchandise and supplies used	6.1	-39,128	-34,262	-4,866
Miscellaneous goods and services	6.2	-139,653	-144,091	4,438
Employee expenses	6.3	-131,028	-119,881	-11,147
Other operating expenses	6.4	-9,174	-39,165	29,991
Total operating expenses		**-318,983**	**-337,399**	**18,416**
Of which costs related to lease agreements		-12,810	-13,409	599

6.1. Consumables, merchandise and supplies used

Operating expenses are incurred in relation to purchases of gas necessary for balancing activities on the gas network as well as the gas consumed by the group, particularly in the compressor stations.

Operating expenses also include costs for 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 change observed in this item is mainly due to the costs associated with the aforementioned purchase of gas.

6.2. Miscellaneous goods and services

Miscellaneous goods and services comprise purchase of equipment, rent and rental charges, maintenance and repair expenses, 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 and, finally, temporary and support staff expenses.

Miscellaneous goods and services fell by €4,438 thousand in 2011. The bulk of this decline relates to costs associated with the activities of Fluxys Europe, Huberator and GMSL, which left the consolidation scope on 30 September 2010. The fall was mitigated by an increase in the costs of site security and the final closure of Péronnes and Anderlues.

The remuneration paid to Deloitte in its capacity as the group's statutory auditor totalled €174,210. In addition, Deloitte performed other tasks for which it was paid a total of €12,050.

6.3. Employee expenses

The group's average headcount fell from 1,136 in 2010 to 1,073 in 2011, a decrease of 63 units. In FTE (full-time equivalents), the average headcount in 2011 was 1,049.8 compared to 1,114.2 in 2010.

Employee expenses increased by €11,147 thousand, mainly due to the non-recurrent payment of contributions to pension funds. The increase in salaries as a result of inflation was largely offset by the aforementioned fall in staff numbers.

Workforce

	Fiscal year		Previous fiscal year	
	Total number of staff	Total in FTE	Total number of staff	Total in FTE
Average headcount	**1,073**	**1,049.8**	**1,136**	**1,114.2**
Fluxys	**1,030**	**1,007.4**	**1,051**	**1,030.3**
Executives	308	303.7	320	318.1
Employees	722	703.7	731	712.2
Fluxys LNG	**42**	**41.9**	**39**	**38.2**
Executives	2	2.0	2	2.0
Employees	40	39.9	37	36.2
GMSL	**-**	**-**	**45**	**45.2**
Executives	-	-	3	3.0
Employees	-	-	42	42.2
Flux Re	**1**	**0.5**	**1**	**0.5**
Executives	0	0.0	0	0.0
Employees	1	0.5	1	0.5

Headcount at balance sheet date	**1,068**	**1,044.8**	**1,090**	**1,069.1**
Fluxys	**1,024**	**1,001.7**	**1,046**	**1,026.0**
Executives	308	304.0	318	315.8
Employees	716	697.7	728	710.2
Fluxys LNG	**43**	**42.6**	**43**	**42.6**
Executives	2	2.0	2	2.0
Employees	41	40.6	41	40.6
Flux Re	**1**	**0.5**	**1**	**0.5**
Executives	0	0.0	0	0.0
Employees	1	0.5	1	0.5

6.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposal or abandonment of PPE. The latter represented an expense of €2,988 thousand in 2011, compared to €32,945 thousand in 2010.

The change in these expenses is due to the loss posted in 2010 as a result of the shutdown of the peak-shaving facilities in Dudzele.

Net depreciation, amortisation, impairment losses and provisions				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Depreciation and amortisation	6.5	**-128,698**	**-115,865**	**-12,833**
Intangible assets		-8,288	-8,843	555
Property, plant and equipment		-120,410	-107,022	-13,388
Impairment losses	6.6	**-233,680**	**1,998**	**-235,678**
Intangible assets		-234,572	0	-234,572
Inventories		893	2,021	-1,128
Trade receivables		-1	-23	22
Provisions for liabilities and charges	6.7	**184,477**	**-243**	**-184,720**
Total depreciation, amortisation, impairment losses and provisions		**-177,901**	**-114,110**	**-63,791**

6.5. Depreciation and amortisation

The depreciation of tangible assets increased due to the commissioning of new investments, primarily the RTR2 facilities. This increase was weakened by the departure of BBL VOF and GMSL from the consolidation scope (as of 30 September 2010).

6.6. Impairment losses

An impairment loss was booked on the intangible assets resulting from the Distrigas & C° business combination. The outstanding balance was transferred to the item "Other receivables". This receivable includes the appeal to the shareholders' guarantee resulting from the downward revision of the purchase price for Distrigas & C°'s transmission business (see Note 3 and the foreword to the annual report). It should also be noted that all transmission services have been invoiced at the regulated tariff since 1 January 2010.

The value of the inventory of supplies and consumables fell in 2011, resulting in an impairment loss.

6.7. Provisions for liabilities and charges

The uncertainties relating to the tariff settlements for 2008 and 2009 were removed in 2011. As a result, it was possible to reverse the provisions for regulatory risks (see also Note 3 and the foreword to the annual report).

The group's provisions as well as the 2011 changes are analysed in detail under balance sheet liabilities: Notes 26 Provisions and 27 Provisions for employee benefits.

Note 7a. Gain / loss on disposal of financial assets

Gain / loss on disposal of financial assets			In thousands of €
	31-12-2011	31-12-2010	Change
Gain on disposal of Fluxys Europe and Fluxys Finance, shareholdings transferred to Fluxys G	0	68,407	-68,407
Gain on disposal of Huberator and GMSL, shareholdings transferred to Fluxys Europe	0	53,536	-53,536
Total	**0**	**121,943**	**-121,943**

Fluxys posted consolidated profit of €121,943 thousand on the financial assets disposed of in connection with the restructuring of the group.

Note 7b. Financial income

Financial income				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Dividends from non-consolidated companies	7b.1	0	6,266	-6,266
Financial income from lease contracts	7b.2	481	342	139
Interest income on marketable securities, cash and cash equivalents and interest rate swaps	7b.3	7,852	6,138	1,714
Expected return of pension plan assets	7b.4	5,353	5,361	-8
Other financial income		152	471	-319
Total		**13,838**	**18,578**	**-4,740**

7b.1. In 2010, dividends from non-consolidated companies include the dividends received from the shareholding in Interconnector (UK) Ltd. N.B. this shareholding left the scope of consolidation following the restructuring of the group in late 2010.

7b.2. Financial income from lease contracts related to the Interconnector Zeebrugge Terminal (IZT) installations.

7b.3. The rise in interest income on marketable securities, cash and cash equivalents is the result of an increase in the average return (up 28 basis points) on cash surpluses, partially offset by a fall in the average volume invested (down €37.64 million).

This increase in return reflects changes in market interest rates from 1 January to 31 December 2011.

7b.4. See Note 27.

Note 8. Financial expenses and change in the fair value of financial instruments

Financial expenses				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Borrowing interest costs	8.1	-45,210	-44,259	-951
Unwinding of discounts	8.2	-7,538	-8,277	739
Other financial expenses		-196	-192	-4
Total		**-52,944**	**-52,728**	**-216**

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

The increase in borrowing interest costs is due mainly to the change in regulatory liabilities.

8.2. The unwinding of discounted amounts has fallen slightly. This change is analysed in Notes 26 Provisions and 27 Provisions for employee benefits.

Change in the fair value of financial instruments				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Use and change in the fair value of financial instruments	8.3	1,477	828	649
Total		**1,477**	**828**	**649**

8.3. This item shows the cost incurred in connection with the use – and change in the fair value – of instruments used for hedging the group's currency risk (USD) for its LNG carrier revenue, call/put options relating to the company Fluxys & Co and instruments for hedging interest rate risks (Interest Rate Swaps) used as part of the RTR finance lease contract.

The cost for the use of these instruments was €1,698 thousand for the fiscal year 2011 while their value increased by €3,175 thousand between 31 December 2010 and 31 December 2011.

Note 9. Income tax expense

Income tax expense is analysed as follows:

Income tax expense				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Current tax		-156,140	-80,303	-75,837
Deferred tax		91,448	21,678	69,770
Total	9.1	**-64,692**	**-58,625**	**-6,067**

9.1. Income tax expense increased by €6,067 thousand compared with 2010. This change is explained as follows:

Current tax				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Income tax on the profit of the period		**-155,566**	**-80,568**	**-74,998**
Taxes and withholding taxes due or paid		-115,731	-70,888	-44,843
Excess of payment of taxes and withholding taxes included in assets		207	228	-21
Estimated additional tax included in liabilities		-40,042	-9,908	-30,134
Adjustments to previous years' taxes		**-574**	**265**	**-839**
Total	9.2	**-156,140**	**-80,303**	**-75,837**

9.2. Current income tax increased by €75,837 thousand compared with the previous year. This change was mainly due to the impairment loss on the "Distrigas & C°" intangible assets, of which the taxation was offset by the use of deferred tax liabilities (see Note 3).

Deferred tax				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Relating to origination or reversal of temporary differences		**91,223**	**21,678**	**69,545**
Differences arising from the valuation of non-current assets	9.3	98,495	27,415	71,080
Differences arising from provisions	9.3	-7,505	-3,603	-3,902
Others	9.3	233	-2,134	2,367
Relating to tax rate changes or to new taxes		**225**	**0**	**225**
Relating to changes in accounting policies and errors		**0**	**0**	**0**
Relating to changes in fiscal status of enterprise or shareholders		**0**	**0**	**0**
Total		**91,448**	**21,678**	**69,770**

9.3. Deferred tax is primarily influenced by the difference between the carrying amount and the tax base of property, plant and equipment and intangible assets. In 2011, the taxation of the impairment loss booked on the "Distrigas & C°" intangible assets was covered by use of deferred tax liabilities (see Note 3).

In 2011, a non-recurrent payment was made to pension funds which affects the provisions for employee benefits under IFRS and the associated deferred tax.

The item 'Others' relates largely to the 5% tax on the dividends from subsidiaries.

Reconciliation of expected income tax rate and effective average income tax rate			In thousands of €
	31-12-2011	31-12-2010	Change
Expected income tax based on applicable tax rate – Fiscal year	**-63,483**	**-104,116**	**40,633**
Profit before taxes	186,771	306,315	-119,544
Applicable tax rate	33.99%	33.99%	0.00%
Reconciling items	**-410**	**45,226**	**-45,636**
Income tax rate differences between jurisdictions	713	1,363	-650
Tax rate changes	0	0	0
Tax-exempt income	0	43,530	-43,530
Non-deductible expenses	-1,720	-1,869	149
Taxable dividend income	-534	-1,671	1,137
Deductible notional interest cost	1,131	3,923	-2,792
Others	0	-50	50
Income tax as per effective average tax rate – Fiscal year	**-63,893**	**-58,890**	**-5,003**
Profit before taxes	186,771	306,315	-119,544
Average effective tax rate	34.21%	19.23%	14.98%
Taxes on tax-exempt reserves	**0**	**0**	**0**
Adjustments to previous years' taxes	**-799**	**265**	**-1,064**
Total income tax expense	**-64,692**	**-58,625**	**-6,067**

The average effective tax rate for 2011 amounted to 34.21% compared with 19.23% the previous year. The tax rate fell in 2010 because the gains on the disposal of stakes were not taxable.

Note 10. Net profit for the period

Net profit for the period			In thousands of €
	31-12-2011	31-12-2010	Change
Non-controlling interests	1	335	-334
Fluxys share	122,078	247,355	-125,277
Total net profit for the period	**122,079**	**247,690**	**-125,611**

The consolidated net profit for the fiscal year amounted to €122,079 thousand, a decrease of €125,611 thousand compared with 2010.

This decrease is mainly due to the following non-recurring items in 2010:
- the group's disposal of the stakes generating a capital gain of €121,943 thousand, and
- the net profit of €5,658 thousand recorded following the closure of the peak-shaving plant at Dudzele.

The impact of these items on the change in the result between 2010 and 2011 was weakened by the effects of the investment programme and the rise in interest rates which influenced the return on the capital invested in the regulated activities in 2011.

Note 11. Earnings per share

Numerator (in thousands of €)	31-12-2011	31-12-2010
Net profit per share from continuing operations attributable to the parent company's shareholders	**122,078**	**247,355**
Net profit	122,078	247,355
Impact of dilutive instruments		
Diluted net profit per share from continuing operations attributable to the parent company's shareholders	**122,078**	**247,355**
Net profit / loss per share from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit	0	0
Impact of dilutive instruments	0	0
Diluted net profit per share from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit per share attributable to the parent company's shareholders	**122,078**	**247,355**
Net profit	122,078	247,355
Impact of dilutive instruments	0	0
Diluted net profit per share attributable to the parent company's shareholders	**122,078**	**247,355**

Denominator (number of shares)	31-12-2011	31-12-2010
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 €)	31-12-2011	31-12-2010
Basic earnings per share from continuing operations attributable to the parent company's shareholders	173.7429	352.0386
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	173.7429	352.0386
Basic earnings per share from discontinued operations attributable to the parent company's shareholders	0.0000	0.0000
Diluted earnings per share from discontinued operations attributable to the parent company's shareholders	0.0000	0.0000
Basic earnings per share attributable to the parent company's shareholders	173.7429	352.0386
Diluted earnings per share attributable to the parent company's shareholders	173.7429	352.0386

Note 12. Property, plant and equipment

Movements in property, plant and equipment	Land	Buildings	Gas transmission networks*	Gas storage facilities*
Gross carrying amount				
At 31-12-2009	**29,633**	**104,712**	**2,668,179**	**332,053**
Additions	1,614	1,573	37,150	7,867
Government grants	0	0	0	0
Acquisitions through business combinations	6,282	20,957	0	0
Disposals and retirements	-45	-4,935	-4,635	-73,981
Internal transfers	0	5,668	40,158	-12,246
Changes in consolidation scope	-951	-1,000	0	0
Translation adjustments	0	0	0	0
At 31-12-2010	**36,533**	**126,975**	**2,740,852**	**253,693**
Additions	3,777	2,643	120,812	4,153
Government grants	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-45	-2,511	-12,810	-43
Internal transfers	0	5,336	296,102	36,302
Changes in consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2011	**40,265**	**132,443**	**3,144,956**	**294,105**

** subject to the Gas Act*

In thousands of €

LNG terminal *	Ship	Other installations and machinery	Furniture, equipment and vehicles	Other property, plant and equipment	Assets under construction and instalments paid	Total
996,084	**100,367**	**151,542**	**36,902**	**0**	**250,670**	**4,670,142**
547	76	3,054	3,691	0	309,765	365,337
0	0	0	0	0	-34,430	-34,430
0	0	0	0	0	0	27,239
-17	0	-157	-903	0	-2,207	-86,880
418	0	0	0	0	-33,998	0
0	0	-109,005	0	0	0	-110,956
0	0	40	0	0	0	40
997,032	**100,443**	**45,474**	**39,690**	**0**	**489,800**	**4,830,492**
1,146	0	49	2,797	0	117,932	253,309
0	0	0	0	0	-43,374	-43,374
0	0	0	0	0	0	0
0	0	0	-1,793	0	-1,406	-18,608
2,662	0	0	624	0	-341,026	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
1,000,840	**100,443**	**45,523**	**41,318**	**0**	**221,926**	**5,021,819**

Movements in property, plant and equipment	Land	Buildings	Gas transmission networks*	Gas storage facilities*
Depreciation and impairment losses				
At 31-12-2009	**0**	**-66,831**	**-1,382,573**	**-203,375**
Depreciation	0	-2,262	-72,588	-5,969
Impairment losses	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	4,546	3,661	44,655
Internal transfers	0	1,012	-9,147	8,135
Changes in consolidation scope	0	193	0	0
Translation adjustments	0	193	0	0
At 31-12-2010	**0**	**-63,342**	**-1,460,647**	**-156,554**
Depreciation	0	-2,583	-83,059	-6,982
Impairment losses	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	1,914	9,867	0
Internal transfers	0	-135	135	0
Changes in consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2011	**0**	**-64,146**	**-1,533,704**	**-163,536**
Net carrying amount at 31-12-2011	**40,265**	**68,297**	**1,611,252**	**130,569**
Net carrying amount at 31-12-2010	**36,533**	**63,633**	**1,280,205**	**97,139**

** subject to the Gas Act*

In thousands of €

LNG terminal *	Ship	Other installations and machinery	Furniture, equipment and vehicles	Other property, plant and equipment	Assets under construction and instalments paid	Total
-599,309	**-14,808**	**-54,803**	**-22,113**	**0**	**0**	**-2,343,812**
-19,025	-2,558	-1,653	-2,967	0	0	-107,022
0	0	0	0	0	0	0
0	0	0	0	0	0	0
2	0	0	335	0	0	53,199
0	0	0	0	0	0	0
0	0	11,487	0	0		11,680
0	0	-32	0	0	0	-32
-618,332	**-17,366**	**-45,001**	**-24,745**	**0**	**0**	**-2,385,987**
-21,683	-2,632	-114	-3,357	0	0	-120,410
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	1,645	0	0	13,426
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
-640,015	**-19,998**	**-45,115**	**-26,457**	**0**	**0**	**-2,492,971**
360,825	**80,445**	**408**	**14,861**	**0**	**221,926**	**2,528,848**
378,700	83,077	473	14,945	0	489,800	2,444,505

Movements in property, plant and equipment	Land	Buildings	Gas transmission networks*	Gas storage facilities*
Net carrying amount at 31-12-2011, including :	**40,265**	**68,297**	**1,611,252**	**130,569**
At cost	40,265	68,297	1,611,252	130,569
At revaluation	0	0	0	0
Net carrying amount at 31-12-2011 of assets held under finance leases	0	197	75,833	0
Supplementary information				
Net carrying amount of assets temporarily retired from active use	110	0	0	0

** subject to the Gas Act*

'Property, plant and equipment' mainly comprises the group's transmission, storage (Loenhout) and terminalling (Zeebrugge) facilities as well as the interest held in an LNG ship.

In 2011, Fluxys group made investments of €253,309 thousand, of which the main items are the following:

- laying of transmission pipelines (€98,052 thousand, including €51,454 thousand for RTR2 infrastructure),
- compressor stations (€100,552 thousand),
- storage facilities at Loenhout (€21,152 thousand).

In relation to investments that are currently in progress or planned, the group has commitments under Engineering, Procurement and Construction contracts amounting to €74.1 million at 31 December 2011.

During the fiscal year 2011, Fluxys obtained grants worth €43,374 thousand for the RTR2 and North-South investments. Retirements during the period mainly relate to parts of compressor stations which had reached the end of their lifetime.

						In thousands of €
LNG terminal *	Ship	Other installations and machinery	Furniture, equipment and vehicles	Other property, plant and equipment	Assets under construction and instalments paid	Total
360,825	**80,445**	**408**	**14,861**	**0**	**221,926**	**2,528,848**
360,825	80,445	408	14,861	0	221,926	2,528,848
0	0	0	0	0	0	0
0	0	0	210	0	0	76,240
0	0	0	0	0	0	110

The depreciation charge for the period amounts to €120,410 thousand and reflects the rate at which the group expects to consume the economic benefits of the assets.

The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specificity of the sector's activities.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs. Given the specificities of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date the group does not hold property, plant and equipment assets which have been pledged as security against liabilities.

The group emphasises that no indications existed at the balance sheet date that property, plant and equipment may have been impaired.

Note 13. Intangible assets

Movements in the carrying amount of intangible assets				In thousands of €
	Application software	Balance of agreed Fluxys & Co consideration	CO_2 emission rights	Total
Gross carrying amount				
At 31-12-2009, of which:	**54,088**	**292,101**	**0**	**346,189**
Internally developed software	45,817			
Software purchased from third parties	8,271			
Additions, of which :	7,810			7,810
Internally developed	6,663			
Purchased from third parties	1,147			
Acquisitions through business combinations				0
Disposals and retirements	-7,291			-7,291
Translation adjustments				0
Changes in consolidation scope				0
Others				0
At 31-12-2010, of which:	**54,607**	**292,101**	**0**	**346,708**
Internally developed software	45,518			
Software purchased from third parties	9,089			
Additions, of which:	5,211			5,211
Internally developed	4,403			
Purchased from third parties	808			
Acquisitions through business combinations				0
Disposals and retirements	-8,732	-292,101		-300,833
Translation adjustments				0
Changes in consolidation scope				0
Others				0
At 31-12-2011, of which:	**51,086**	**0**	**0**	**51,086**
Internally developed software	41,236			
Software purchased from third parties	9,850			

Movements in the carrying amount of intangible assets				In thousands of €
	Application software	Balance of agreed Fluxys & Co consideration	CO_2 emission rights	Total
Amortisation and impairment losses				
At 31-12-2009, of which:	**-34,574**	**-15,130**	**0**	**-49,704**
Internally developed software	-28,118			
Software purchased from third parties	-6,456			
Amortisation	-8,843			-8,843
Disposals and retirements	7,192			7,192
Translation adjustments				0
Changes in consolidation scope				0
Others				0
At 31-12-2010, of which:	**-36,225**	**-15,130**	**0**	**-51,355**
Internally developed software	-30,458			
Software purchased from third parties	-5,767			
Amortisation	-8,288			-8,288
Disposals and retirements		-234,572		-234,572
Translation adjustments	8,690	249,702		258,392
Changes in consolidation scope				0
Others				0
At 31-12-2011, of which:	**-35,823**	**0**	**0**	**-35,823**
Internally developed software	-28,679			
Software purchased from third parties	-7,144			

Movements in the carrying amount of intangible assets				In thousands of €
	Application software	Balance of agreed Fluxys & Co consideration	CO_2 emission rights	Total
Net carrying amount at 31-12-2010	**18,382**	**276,971**	**0**	**295,353**
Internally developed software	15,060			
Software purchased from third parties	3,322			
Net carrying amount at 31-12-2011	**15,263**	**0**	**0**	**15,263**
Internally developed software	12,557			
Software purchased from third parties	2,706			

Intangible assets comprise the net carrying amount of application software and of emission rights and the balance of the agreed value of border-to-border transmission contracts purchased in 2008.

The application software included in intangible assets is investment software developed or purchased by the group. This software is amortised 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 tools.

The intangible assets resulting from the 'Distrigas & C°' business combination were subject to an impairment loss of €234,572 thousand in 2011 to reduce the balance to zero following transfer of part of the assets to the item "Other receivables". For this part, an appeal is made to the guarantee given by the shareholders, following the downward revision of the acquisition price of the 'Distrigas &C°' business (see Note 3 and the foreword to the annual report).

We would point out again that all transmission services have been invoiced at the regulated tariff since 1 January 2010.

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 439,784 tonnes of CO_2 for the compression, storage, blending and terminalling activity sites in 2011. The value of the unused rights at 31 December 2011 amounted to €1,556 thousand, which corresponds to 198,005 tonnes of CO_2. In accordance with the accounting policies stated in Note 2, the unused emission rights granted free of charge have been recognised at nil value in intangible assets.

The group emphasises that there were no indications at the balance sheet date that intangible assets may have been impaired.

Note 14. Goodwill

The Fluxys group had no goodwill at the balance sheet date.

Note 15. Investments in associates

The Fluxys group had no investments in associates at the balance sheet date.

Note 16. Other financial assets

Other financial assets			In thousands of €
	Note	31-12-2011	31-12-2010
Shares at cost	16.1	0	0
Other financial assets at cost	16.2	42	39
Total		**42**	**39**

Movement in other financial assets – Shares at cost		In thousands of €
	31-12-2011	31-12-2010
Opening balance	**0**	**84,218**
Gross amount	0	84,249
Uncalled amounts	0	-31
Accumulated impairment losses	0	0
Acquisitions	0	38,967
Disposals	0	-123,154
Change in ownership percentage	0	0
Translation adjustments	0	0
Capital increases	0	0
Other	0	-31
Closing balance	**0**	**0**
Gross amount	0	0
Uncalled amounts	0	0
Accumulated impairment losses	0	0

16.1. The stakes held in Interconnector (UK) Ltd (15%), APX-Endex Holding BV (3.07%) and C4GAS SAS (5%) were disposed of following the restructuring of the group that took place in September 2010.

The company Belgian Pipe Control SA (25%) was liquidated on 16-12-2010.

Movement in other financial assets – other assets at cost		In thousands of €
	31-12-2011	31-12-2010
Opening balance	**39**	**24**
Gross amount	39	24
Accumulated impairment losses	0	0
Additions	3	15
Repayments	0	0
Translation adjustments	0	0
Others	0	0
Closing balance	**42**	**39**
Gross amount	42	39
Accumulated impairment losses	0	0

16.2. Other assets at cost consist of VAT and rental deposits paid.

Note 17. Finance lease receivables

Finance lease receivables			In thousands of €
	31-12-2011	31-12-2010	Change
Non-current receivables	25,303	27,370	-2,067
Current receivables	2,067	1,718	349
Total	**27,370**	**29,088**	**-1,718**

Finance lease receivables include the contract relating 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, which took effect in 1998, has a minimum term 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.

Maturity of finance lease receivables at 31-12-2011				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance lease receivables	2,067	12,498	12,805	27,370
Total	**2,067**	**12,498**	**12,805**	**27,370**
Finance lease receivables :				
Present value of minimum lease payments at market rate	2,536	14,032	13,209	29,777
Total minimum lease payments	2,536	14,032	13,209	29,777
Interest	469	1,534	404	2,407

Maturity of finance lease receivables at 31-12-2010				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance lease receivables	1,718	10,728	16,642	29,088
Total	**1,718**	**10,728**	**16,642**	**29,088**
Finance lease receivables :				
Present value of minimum lease payments at market rate	2,117	12,112	17,269	31,498
Total minimum lease payments	2,117	12,112	17,269	31,498
Interest	399	1,384	627	2,410

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. Non-current loans and receivables

Non-current loans and receivables				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Regulatory assets	18.1	41,175	50,583	-9,408
Non-current loans	18.2	0	9,616	-9,616
Total		**41,175**	**60,199**	**-19,024**

18.1. This item includes the regulatory receivable that arose in 2010 following the closure of the peak-shaving plant at Dudzele. This asset bears interest at the average Euribor 1 year rate.

18.2. This item included a loan to Fluxys Finance which was paid back in 2011.

Maturity of non-current loans and receivables at 31-12-2011			In thousands of €
	Between one and five years	Over five years	Total
Regulatory assets	0	41,175	41,175
Total	**0**	**41,175**	**41,175**

Note 19. Inventories

Carrying amount of inventories			In thousands of €
	31-12-2011	**31-12-2010**	**Change**
Supplies and consumables	**35,506**	**45,573**	**-10,067**
Gross carrying amount	41,440	52,400	-10,960
Impairment	-5,934	-6,827	893
Goods held for resale	**7,736**	**6,128**	**1,608**
Gross carrying amount	7,736	6,128	1,608
Impairment	0	0	0
Contracts in progress	**93**	**201**	**-108**
Gross carrying amount	93	201	-108
Impairment	0	0	0
Total	**43,335**	**51,902**	**-8,567**

The inventory of supplies and consumables decreased by €10,067 thousand over the year to 31 December 2011, mainly as a result of the use of materials intended for network construction, maintenance and repair activities.

The change in natural gas inventories (up €1,608 thousand) is due to the rise in the price of natural gas, which was partially offset by a fall in the quantity of gas inventories.

Inventories – Impact of movements on net profit			In thousands of €
	31-12-2011	**31-12-2010**	**Change**
Inventories – purchased or used	-9,460	-17,970	8,510
Impairment	893	2,021	-1,128
Total	**-8,567**	**-15,949**	**7,382**

Note 20. Current tax receivable

Current tax receivable				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Recoverable income taxes		2,673	2,525	148
Total	20.1	**2,673**	**2,525**	**148**

20.1. Current tax receivable includes recoverable income taxes.

Note 21. Trade and other receivables

Trade and other receivables				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Net trade receivables	21.1	19,125	16,975	2,150
Other receivables	21.2	71,659	43,023	28,636
Total		**90,784**	**59,998**	**30,786**

21.1 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 according to ageing			In thousands of €
	31-12-2011	31-12-2010	Change
Assets < 3 months	18,388	14,913	3,475
Assets 3 - 6 months	0	0	0
Assets > 6 months	0	0	0
Assets in litigation or doubtful	737	2,062	-1,325
Total	**19,125**	**16,975**	**2,150**

'Assets in litigation' are mainly outstanding receivables on grid users. The amount for 2010 was dissolved in 2011.

These assets in litigation were not subject to impairment.

21.2 In addition to various receivables such as recoverable withholding taxes and VAT, 'other receivables' includes an amount to recover from Distrigas & C° arising from the downward-revised acquisition price for the transmission business of Distrigas & C° (see Note 3). The latter therefore replaces the 2010 receivable that arose from the Distrigas & C° business combination, which explains the change in this item.

Note 22. Short-term investments, cash and cash equivalents

Short-term investments are investments with a maturity of more than three months in bonds, commercial paper and bank deposits.

Cash and cash equivalents are mainly euro investments in commercial paper that mature within a maximum of three months after the date of acquisition, deposits made with Fluxys Finance (cash pooling), term deposits at financial institutions, bank balances and cash in hand.

Short-term investments, cash and cash equivalents			In thousands of €
	31-12-2011	31-12-2010	Change
Short-term investments	**41,984**	**18,592**	**23,392**
Cash and cash equivalents	**405,622**	**559,173**	**-153,551**
Cash equivalents and cash pooling	401,221	557,714	-156,493
Short-term deposits	2,824	916	1,908
Bank balances	1,571	534	1,037
Cash in hand	6	9	-3
Total	**447,606**	**577,765**	**-130,159**

In 2011, the average rate of return on short-term investments, cash and cash equivalents was 1.19%, compared to 0.91% in 2010. The average capital invested fell from €553.08 million in 2010 to €515.44 million in 2011.

The investments made during the fiscal year explain this fall in cash and cash equivalents.

Note 23. Other current assets

Other current assets			In thousands of €
	31-12-2011	31-12-2010	Change
Accrued income	1,182	1,173	9
Prepaid expenses	4,625	4,818	-193
Total	**5,807**	**5,991**	**-184**

Other current assets mainly comprise prepaid expenses amounting to €4,625 thousand (insurance, rent, etc.), with various items of accrued income accounting for the remainder.

Note 24. Equity

Equity attributable to the parent company's shareholders amounted to €1,362,816 thousand at 31 December 2011. The €37,901 thousand decrease since the previous year is due to the overall result for the period attributable to the parent company's shareholders (+€116,680 thousand), minus the 2011 dividend payout (-€154,581 thousand).

Note on parent company shareholding	Ordinary shares	Preferred shares	Total
I. Movements in number of shares			
1. Number of shares, beginning balance	702,636	0	**702,636**
2. Number of shares issued			**0**
3. Number of ordinary shares cancelled or reduced (-)			**0**
4. Number of preferred shares redeemed, converted or reduced (-)			**0**
5. Other increase (/ decrease)			**0**
6. Number of shares, ending balance	702,636	0	**702,636**
II. Other information			
1. Per value of shares	Not specified		
2. Number of shares owned by the company	0	0	**0**
3. Interim dividends during the fiscal year			**0**

The share capital of Fluxys SA is represented by 702,636 nominal shares with no par value. These shares are divided into two categories, in addition to the specific share.

Nominal shares in category B are and remain registered. They are held by long-term shareholders.

Category D nominal shares are registered, dematerialised 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 the Royal Decree of 16 June 1994, amended by the laws of 29 April 1999 and 26 June 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.

Note 25. Interest-bearing borrowings

Non-current interest-bearing borrowings				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Finance leases	25.1	47,684	78,987	-31,303
Debentures	25.2	349,407	349,258	149
Other borrowings	25.3	442,500	462,751	-20,251
Other liabilities	25.4	218,750	270,318	-51,568
Total		**1,058,341**	**1,161,314**	**-102,973**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

Current interest-bearing borrowings				In thousands of €
	Note	31-12-2011	31-12-2010	Change
Finance leases	25.1	31,069	20,058	11,011
Other borrowings	25.3	79,046	63,520	15,526
Other liabilities	25.4	38,788	2,788	36,000
Total		**148,903**	**86,366**	**62,537**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

25.1. Finance lease payables include contracts relating to Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) border-to-border transmission facilities. In accordance with IAS 17, the lease contracts signed with GIE Finpipe in relation to Troll and RTR facilities are accounted for as finance leases. The Troll contract has a 20-year term that expires in 2012 and the RTR contract has a 17-year term that expires in 2015. When these contracts expire, Fluxys will be entitled to exercise its purchase options on these facilities.

25.2. On 21 December 2009, Fluxys issued a €350 million debenture, which provides a gross annual coupon of 4.125% and which is eligible for trading on the regulated Euronext Brussels market.

25.3. Other borrowings include:

- a 10-year loan amounting to €51,500 thousand at a fixed annual interest rate of 4.747% contracted with the European Investment Bank (EIB) in August 2007 for the financing of the capacity enhancement at the Zeebrugge LNG terminal,
- a 25-year loan of €400,000 thousand at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network,
- the issue of commercial paper worth €64,646 thousand,
- accrued interest amounting to €5,900 thousand.

25.4. The regulatory liabilities included in 'Other liabilities' consist of the positive difference between the acquired regulated prices and the regulated prices invoiced. The share of tariffs gains listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the gains to be used within the year are listed as current liabilities. These amounts bear interest at the Euribor 1 year rate.

Maturity of interest-bearing borrowings at 31-12-2011				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance leases	31,069	47,684	0	78,753
Debentures	0	349,407	0	349,407
Other borrowings	79,046	88,000	354,500	521,546
Other liabilities	38,788	218,750	0	257,538
Total	**148,903**	**703,841**	**354,500**	**1,207,244**
Supplementary information				
Finance leases :				
Present value of minimum lease payments at market rate	35,357	48,587	0	83,944
Total minimum lease payments	35,417	51,860	0	87,277
Interests	4,348	4,176	0	8,524

Maturity of interest-bearing borrowings at 31-12-2010				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance leases	20,058	78,987	0	99,045
Debentures	0	349,258	0	349,258
Other borrowings	63,520	68,000	394,751	526,271
Other liabilities	2,788	270,318	0	273,106
Total	**86,366**	**766,563**	**394,751**	**1,247,680**
Supplementary information				
Finance leases :				
Present value of minimum lease payments at market rate	25,109	81,521	0	106,630
Total minimum lease payments	25,709	87,485	0	113,194
Interests	5,651	8,498	0	14,149

The total value of minimum lease payments corresponds to the best estimate, at the balance sheet date, of the lease payments to be paid, regardless of whether they relate to the capital to be refunded (finance leases), the interest to be paid (interest), or the purchase option (finance leases). These payments are discounted at market rate so as to obtain the present value of the minimum lease payments.

Note 26. Provisions

26.1. Provisions (excluding provisions for employee benefits)

Provisions			In thousands of €
	Litigation and claims	Environment and site restoration	Total (excluding employee benefits)
Provisions at 31-12-2010	**175,167**	**32,645**	**207,812**
Additions	6,524	0	6,524
Use	-171,188	-5,905	-177,093
Unwinding of the discount		1,188	1,188
Provisions at 31-12-2011 of which:	**10,503**	**27,928**	**38,431**
Non-current provisions	2,250	22,173	24,423
Current provisions	8,253	5,755	14,008

The fiscal year's additions to provisions mainly relate to the establishment of a provision intended to cover the payment of compensation to victims of the Ghislenghien accident. The compensation paid to the victims at the start of 2012 is final, regardless of the outcome of the legal proceedings still under way. Fluxys reserves the right to take action against the parties ultimately found to be liable for the disaster.

The provisions for regulatory liabilities established in 2008 and 2009 were reversed in 2011 owing to the removal of the tariff uncertainties (see Note 3).

26.2. Provisions for employee benefits

Provisions for employee benefits	In thousands of €
Provisions at 31-12-2010	**62,890**
Additions	6,861
Use	-20,769
Surpluses	0
Unwinding of the discount	7,397
Actual gains / losses recognised in profit / loss	-1,047
Expected return on plan assets	-5,353
Actual gains / losses directly recognised in equity	8,179
Provisions at 31-12-2011 of which :	**58,158**
Non-current provisions	54,443
Current provisions	3,715

The decrease in provisions for employee benefits is mainly due to the non-recurrent contributions paid to the pension funds. The latter are now based on a new financing method. The decrease was mitigated by the actuarial differences directly affecting consolidated equity, in accordance with the group's accounting methods (see Note 27).

26.3. Movements in the income statement and maturity of provisions

Movements in positions in the income statement can be broken down as follows:

Impact			In thousands of €
	Additions	**Use and reversals**	**Total**
Profit (loss) from continuing operations	13,385	-197,862	-184,477
Financial profit (loss)	7,538	-5,353	2,185
Total	**20,923**	**-203,215**	**-182,292**

Maturity of provisions at 31-12-2011				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Litigation and claims	8,253	0	2,250	10,503
Environment and site restoration	5,755	17,964	4,209	27,928
Subtotal	**14,008**	**17,964**	**6,459**	**38,431**
Employee benefits	3,715	18,577	35,866	58,158
Total	**17,723**	**36,541**	**42,325**	**96,589**

Maturity of provisions at 31-12-2010				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Litigation and claims	172,966	0	2,201	175,167
Environment and site restoration	5,830	13,892	12,923	32,645
Subtotal	**178,796**	**13,892**	**15,124**	**207,812**
Employee benefits	3,965	19,824	39,101	62,890
Total	**182,761**	**33,716**	**54,225**	**270,702**

Discount rate

Long-term provisions are discounted based on interest rates that have changed as follows:

	31-12-2011	31-12-2010
Between one and five years	2.2%	2.4%
Between six and ten years	3.4%	3.7%
Over ten years	4.0%	4.3%

Provisions for litigation and claims

These provisions have been established to cover potential litigation payments arising for instance from the construction of the Zeebrugge LNG terminal (1983).

They also cover the estimated uninsured risks for the Fluxys group with regard to accidents, mainly Ghislenghien (2004). Developments in the Ghislenghien case have been commented on in the directors' report.

The estimate for these provisions is based on the value of claims filed or on the estimated amount of the risk exposure.

Provisions for the environment and site restoration

These provisions mainly relate to obligations for safety, clean-up and restoration of sites in the process of being shut down, as well as definitive actions to be implemented for pipelines out of use and other environmental measures.

These provisions are accrued in accordance with the Belgian regional environmental legislation and the Belgian Gas Act. The obligations covered by these provisions require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

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 ‘salary scale’ personnel recruited before 1 June 2002 and management personnel recruited before 1 May 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 through a number of pension funds for the electricity and gas industries and through 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.

‘Salary scale’ personnel recruited after 1 June 2002 and management staff recruited after 1 May 1999 are covered by defined contribution pension plans. For payments made after 1 January 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.

Fluxys group also has early pension schemes, other post-employment benefits such as reimbursement of medical expenses and price subsidies, as well as other long-term benefits (seniority payments). Not all of these benefits are funded.

Pension and other benefit obligations of Fluxys group						In thousands of €
	31-12-2011			31-12-2010		
	Pensions	Other benefits	Total	Pensions	Other benefits	Total
Changes in defined benefit obligation						
Defined benefit obligation at beginning of year	-144,302	-33,849	-178,151	-140,630	-32,271	-172,901
Service costs	-4,979	-1,192	-6,170	-4,986	-1,189	-6,175
Interest costs	-5,865	-1,533	-7,398	-6,277	-1,481	-7,758
Participants' contributions	-276	0	-276	-282	0	-282
Actuarial gains and losses	-285	-3,174	-3,459	1,647	-1,093	554
Benefits paid	16,801	1,877	18,678	6,226	2,185	8,411
Past service costs	0	0	0	0	0	0
Curtailments	0	0	0	0	0	0
Settlements	0	0	0	0	0	0
Other	1,472	346	1,818	0	0	0
Defined benefit obligation at end of year	**-137,434**	**-37,525**	**-174,959**	**-144,302**	**-33,849**	**-178,151**
Wholly or partially funded	-127,095	0	-127,095	-134,004	0	-134,004
Unfunded	-10,339	-37,525	-47,864	-10,298	-33,849	-44,147
Changes in plan assets						
Fair value of plan assets at beginning of year	115,261	0	115,261	103,394	0	103,394
Expected return on plan assets	5,353	0	5,353	5,361	0	5,361
Actuarial gains and losses	-3,673	0	-3,673	2,793	0	2,793
Employer's contributions	17,561	1,877	19,438	9,657	2,185	11,842
Participants' contributions	276	0	276	282	0	282
Benefits paid	-16,801	-1,877	-18,678	-6,226	-2,185	-8,411
Settlements	0	0	0	0	0	0
Other	-1,176	0	-1,176	0	0	0
Fair value of plan assets at end of year	**116,801**	**0**	**116,801**	**115,261**	**0**	**115,261**
Actual return on plan assets	1,680	0	1,680	8,154	0	8,154
Defined benefit obligation	-137,434	-37,525	-174,959	-144,302	-33,849	-178,151
Fair value of plan assets	116,801	0	116,801	115,261	0	115,261
Deficit or surplus	**-20,633**	**-37,525**	**-58,158**	**-29,041**	**-33,849**	**-62,890**
Unrecognised actuarial gains and losses	0	0	0	0	0	0
Unrecognised past service costs	0	0	0	0	0	0
Asset ceiling	0	0	0	0	0	0
Net liability	**-20,633**	**-37,525**	**-58,158**	**-29,041**	**-33,849**	**-62,890**

The cost for the fiscal year related to pensions and other benefits can be broken down as follows:

Expense of the period	In thousands of €	
	31-12-2011	31-12-2010
Service costs	-6,172	-6,175
Interest costs	-7,397	-7,758
Expected return on plan assets	5,353	5,361
Actuarial gains and losses recognised in profit	1,047	-391
Past service costs	0	0
Profit or loss on curtailments and settlements	0	0
Asset ceiling	0	0
Total	**-7,169**	**-8,963**

Service costs for the year are recorded as personnel costs and net additions to the provisions. Interest costs and actuarial gains and losses are recorded as financial expense while the expected return on plan assets is included in financial income.

At 31 December 2011, the cumulative actuarial losses directly recognised in equity and related deferred taxes amounted to €14,706 thousand compared to cumulative actuarial losses of €6,527 thousand at the end of 2010, which represents a decrease of €8,179 thousand for the fiscal year.

The plan assets listed by principal asset categories are as follows:

		In %
	31-12-2011	31-12-2010
Shares	24%	24%
Bonds	55%	54%
Property	5%	6%
Other (including monetary assets)	16%	16%
Total	**100%**	**100%**

Actuarial assumptions

The actuarial assumptions for Fluxys group have been determined by qualified actuaries. The principal assumptions are:

Principal actuarial assumptions				In %
	31-12-2011		31-12-2010	
	Pensions	Other benefits	Pensions	Other benefits
Discount rate	4.00%	4.00%	4.30%	4.30%
Expected return on plan assets	4.80%	-	5.00%	-
Expected salary increase	4.00%	4.00%	4.00%	4.00%
Increase in medical costs	-	3.00%	-	3.00%

The expected return on plan assets is determined by asset category, with each asset category having its own estimated rate of return.

The impact of a change of 1% on medical costs is as follows:

	Increase of 1%	Decrease of 1%
Aggregate of the service cost and interest cost	-172	133
Defined benefit obligation	-2,183	1,720

The following table shows experience adjustments to actuarial gains and losses:

Change over five periods	2011	2010	2009	2008	2007
Defined benefit obligation	-174,959	-178,151	-172,901	-173,808	-166,343
Fair value of plan assets	116,801	115,261	103,394	96,823	113,791
Deficit or surplus	-58,158	-62,890	-69,507	-76,985	-52,552
Experience adjustments resulting from :					
defined benefit obligation	4,240	4,351	10,962	5,044	-1,196
plan assets	-3,673	2,793	424	-22,984	-1,512

The group expects to contribute €13,477 thousand to its defined benefit pension plans in 2012.

Note 28. Deferred tax assets and liabilities

Recognised deferred tax liabilities			In thousands of €
	31-12-2011	31-12-2010	Change
Valuation of property, plant and equipment	367,728	479,909	-112,181
Income to be received	5,727	5,861	-134
Fair value of financial instruments	8,102	7,261	841
Tax credits	0	0	0
Provisions for employee benefits or provisions not accounted for under IFRS	20.301	15.708	4,593
Other normative differences	1,591	3,348	-1,757
Total	**403,449**	**512,087**	**-108,638**

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 first from the recognition in the opening balance sheet of acquired property, plant and equipment at their fair value corresponding to their deemed cost and, second, from the booking at fair value of the assets and liabilities arising from the SEGEO and Distrigas & C° business combinations in 2008.

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under Belgian standards but not accounted for under IFRS are another major source of deferred tax.

Finally, the measurement of financial instruments at their fair value also leads to the recognition of deferred tax. The financial instruments involved are interest rate swaps, forward contracts in USD and the valuation of call/put options relating to the LNG ship. See the note on financial instruments for more details.

All deferred tax assets and liabilities are recognised, except for deferred taxes on the retained earnings of subsidiaries. Those unrecognised deferred tax liabilities for Fluxys LNG are estimated at €23 thousand of deferred tax liabilities.

Movement for the period		In thousands of €
	Note	Deferred tax liabilities
At 31-12-2010		**512,087**
Deferred tax expenses – income statement	9	-91,448
Deferred tax expenses – other comprehensive income		-2,780
Other		-14,410
At 31-12-2011		**403,449**

Note 29. Current tax payable

Current tax payable			In thousands of €
	31-12-2011	31-12-2010	Change
Income tax payable	53,264	15,129	38,135
Total	**53,264**	**15,129**	**38,135**

Current tax payable comprises income tax payable. The increase is due to the reversal of provisions for regulatory risks, which were able to be released due to the removal of the tariff uncertainties for the years 2008 and 2009 (see Note 3).

Current tax receivables and payables are recognised separately for each legal entity.

Note 30. Trade and other liabilities

Trade and other liabilities			In thousands of €
	31-12-2011	31-12-2010	Change
Trade payables	75,885	76,979	-1,094
Payroll and related items	23,875	21,482	2,393
Other amounts payable	980	1,853	-873
Total	**100,740**	**100,314**	**426**

Trade and other liabilities remained stable vis-à-vis 2010.

Note 31. Other current liabilities

Other current liabilities			In thousands of €
	31-12-2011	31-12-2010	Change
Deferred income	1,787	1,528	259
Accrued expenses	625	571	54
Total	**2,412**	**2,099**	**313**

Other current liabilities include unearned income to be carried forward to the next fiscal year and accrued expenses.

Note 32. Contingent assets and liabilities and the group's rights and commitments

32.1. Litigation

32.1.1 Litigation regarding the oil business

Pursuant to an agreement signed on 9 November 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.

As part of the decision to discontinue the oil business, claims were submitted to the Belgian State and to Fluxys SA (formerly Distrigas).

The risk incurred by Fluxys SA (formerly Distrigas) is covered by a guarantee from the Belgian State (Royal Decree of 3 February 1981 – Belgian Official Gazette of 17 February 1981) pursuant to the agreement of 9 November 1979 between the Belgian State and Fluxys SA (formerly Distrigas) and the letter of 30 December 1983 from the Ministers for Finance and Economic Affairs.

32.1.2 Other litigation

Income tax expenses

In 2007, 2008 and 2009, amendment notices for the tax years 2005 and 2006 were issued by the tax authorities. The resulting tax assessments amounting to €2,467 thousand were received and were settled when due. They are disputed by the relevant companies of the group and have not been recognised in profit and loss.

Other claims

Other claims arising from the operation of our gas transmission network are in progress but their potential impact is immaterial.

32.2. 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 Fluxys group holds gas belonging to its customers at its storage sites in Loenhout and in the tanks at the LNG terminal in Zeebrugge. At 31 December 2011, the quantities of gas involved amounted to 7,246,098 MWh.

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 31 December 2011, the guarantees received amounted to €149,488 thousand.

32.4. Guarantees provided by third parties on behalf of the company

Rental guarantees in favour of the owners of assets located in Belgium and leased by the group amounted to €414 thousand at 31 December 2011.

At 31 December 2011, other guarantees amounted to €108 thousand.

32.5. Long-term leases and availability agreements

To meet the requirements of its activities Fluxys signed various long-term operating leases with minimum future lease payments of €1,570 thousand at 31 December 2011.

Maturity of minimum future payments in respect of lease payments under non-cancellable operating leases		In thousands of €
	At 31-12-2011	At 31-12-2010
Up to one year	571	571
One to five years	999	1,571
Over five years	0	0
Total	1,570	2,142

Fluxys group also has availability agreements (including so-called domanial concessions) with third parties for sites on which its facilities are being built. These agreements expire between 2013 and 2059.

32.6. Commitments with regard to the Interconnector Zeebrugge Terminal (IZT)

The IZT lease contract includes a purchase option for the lessee that can be exercised on 1 October 2018 for an amount of €4,593 thousand. As part of this transaction, surface rights have been attributed.

32.7. Commitments as part of the RTR lease agreement

As part of the RTR lease agreement, Fluxys made a commitment 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 29 September 1998.

32.8. Commitments as part of the Troll lease agreement

As part of the Troll lease agreement, Fluxys made a commitment to pay royalties to G.I.E. Finpipe for the availability of the Troll facilities, to purchase the facilities and to take over the related financing arrangements under certain circumstances. Furthermore, G.I.E. Finpipe entrusted an assignment for delegation and construction management to Fluxys on 14 August 1991.

32.9. Commitments under the capacity subscription agreements

The Capacity Subscription Agreements (CSA) concluded with the terminal users of the Zeebrugge LNG terminal provide for 1,601 slots to be available from 2012 to 2027.

32.10. Commitments in relation to loans and to the European Investment Bank (BEI)

Fluxys group was granted two loans by the European Investment Bank (EIB). They contain contractual clauses (financial covenants) which are fulfilled by Fluxys group at 31 December 2011. Like the debenture, these loans contain a *pari passu* clause.

32.11. Acquisition of Fluxys & Co

As regards border-to-border transmission activities, the transaction for the acquisition of Fluxys & Co includes a price escalation clause if any legislative, regulatory or judicial decisions issued between now and the end of the adjustment period, which runs to 2015, generate a higher value for the border-to-border transmission activities than the agreed upon price (€350 million).

Furthermore, Fluxys obtained a guarantee of €250 million from Publigas and the Caisse de dépôt et placement du Québec to cover the risk that the value of the activities mentioned above would be less than €350 million, as a result of legislative, regulatory or judicial decisions. This guarantee is also valid until 2015.

Based on the agreement reached with CREG and the application of new regulated tariffs for border-to-border transmission activity since 1 January 2010, the definitive value of the contracts purchased from Distrigas was established at €282 million, i.e. €68 million less than the initial price of €350 million paid by Fluxys in 2008. This valuation was submitted to a committee of independent Fluxys directors, who in early 2012 returned a positive opinion regarding the transaction referred to below.

Because the acquisition price was revised downward, and in accordance with the aforementioned agreements, Fluxys applied to Publigas and the Caisse de dépôt et placement du Québec for a reimbursement of the overly high price that Fluxys had paid in 2008. The guarantors agreed to this request in January 2012.

Finally, Distrigas has a call option on Fluxys & Co, which holds an interest in an LNG ship. This option can be exercised for six months after a period of three years, starting in 2009. The exercise price of the option is €70 million. Fluxys also has a put option on SUEZ-Tractebel (or any other entity it designates within the SUEZ-Tractebel group) which has the same purpose and conditions as the call option, should Distrigas not exercise the latter.

32.12. Environmental policy

Fluxys has a programme in place to bring its facilities in conformity with noise, atmospheric emission and soil pollution standards, and to clean up existing pipelines. Commitments under this programme were estimated at €10,938 thousand at 31 December 2011.

This programme is monitored by the internal environmental coordination unit responsible, among others, for implementing and monitoring Fluxys' environmental policy.

32.13. Other commitments made and received

Other commitments have been made and received by Fluxys group, but their potential impact is immaterial.

Note 33. Financial instruments

Principles for managing financial risks

In the course of conducting its activities, Fluxys group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and its liabilities.

The group's administrative organisation, controlling function and financial reports ensure that these risks are constantly monitored and managed.

The group may only use financial instruments for hedging, and not for speculative or trading purposes. All transactions are intended to meet the group's liquidity needs: 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 was approved by the Board of Directors.

Under this policy, cash surpluses are invested with Fluxys Finance SA under cash pooling agreements. By way of reminder, Fluxys Finance is the company in which the management of Fluxys G's cash funds and financing is centralised.

The objective of this policy is to optimise the group's cash positions through the internal recycling of resources, primarily to finance group projects. Transactions are entered into at market terms and conditions.

The group's financial policy stipulates that cash surpluses other than those referred to above be maintained at first class financial institutions or invested in financial instruments issued by companies with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European national government or whose share capital is predominantly controlled by state-owned entities. Cash surpluses are invested following a competitive bidding award, and in instruments that are sufficiently diversified to limit counterparty risk concentration. These investments are subject to continual monitoring and to risk analysis on a case-by-case basis.

At 31 December 2011, short-term investments, cash and cash equivalents amounted to €447,606 thousand. In the majority of cases, cash surpluses cannot be invested for more than three months.

Credit and counterparty risks

The group systematically assesses its counterparties' financial capacity and systematically monitors 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. In addition, for most of its activities the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. 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 group is exposed to risks related to EUR/USD exchange rate fluctuations, mainly because of its interest in the LNG ship, which generates revenues denominated in USD. The group has entered into foreign exchange contracts to hedge this risk. Although these contracts largely offset exposure to USD, they do not meet the strict criteria for hedge accounting set out in IAS 39 (Financial Instruments: Recognition and Measurement).

Therefore, a sensitivity analysis would not be representative of the risk associated with these financial instruments.

The fair value of these financial instruments is reported as an asset in the 'Other financial assets' section of the balance sheet and amounted to €13,859 thousand at 31 December 2011. Their use and the change in their fair value over the year had a negative impact of €2,089 thousand on the result for the period. The hedged notional amount was US$ 61.2 million and maturities fall between 2012 and 2022.

Interest rate risk

The group's debt mainly consists of fixed interest rate loans amounting to €870,953 thousand at 31 December 2011 and maturing between 2012 and 2033 and finance lease payables with durations of between 17 and 20 years (fixed at the outset).

Part of the liabilities from finance leases is financed at a short-term interest rate. To manage this risk exposure, the group uses interest rate swap contracts to swap a floating rate for a fixed rate of 5.19%. Although these contracts largely offset the risk exposure, they do not meet the strict criteria for hedge accounting under IAS 39 (Financial Instruments: Recognition and Measurement).

The fair value of these financial instruments was reported as a liability under 'Other financial liabilities' and amounted to €1,989 thousand at 31 December 2011. Their use and the change in their fair value over the year had a positive impact of €1,016 thousand on the result for the period. The hedged notional amount amounted to €25.8 million and maturities fall between 2012 and 2014.

In addition, the group's interest-bearing liabilities include liabilities to be used within the regulatory framework. As further explained in Note 25, these tariff gains carry interest at the Euribor 1 year rate. The group does not incur any interest rate risks related to this.

Therefore, a sensitivity analysis is not representative of the risk inherent in these financial instruments.

Consequently, Fluxys 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 Fluxys group. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

Call/put options

Distrigas has a call option on Fluxys & Co, which holds an interest in an LNG ship. This option can be exercised for six months after a period of three years, starting in 2009. The exercise price of the option is €70 million. Fluxys also has a put option on SUEZ-Tractebel (or any other company it designates within the SUEZ-Tractebel group) which has the same purpose and conditions as the call option, should Distrigas not exercise the latter.

These options were valued in the financial statements (IFRS) at €11,741 thousand at 31 December 2011. They are reported in the 'Other financial assets' section of the balance sheet.

Summary of financial instruments at balance sheet date							In thousands of €
	31-12-2011	Note	Financial assets or financial liabilities at cost	Held-to-maturity investments at cost	Assets or liabilities at fair value	Loans and receivables at cost	Other liabilities at cost
I. Non-current assets			42	0	0	66,478	0
Other non-current financial assets	42	16	42				
Finance lease receivables	25,303	7b-17				25,303	
Other non-current assets	41,175	18				41,175	
II. Current assets			0	405,622	67,584	92,851	0
Other current financial assets	25,600	33			25,600		
Finance lease receivables	2,067	7b-17				2,067	
Trade and other receivables	90,784	21				90,784	
Short-term investments	41,984	7b-22			41,984		
Cash and cash equivalents	405,622	7b-22		405,622			
Total financial instruments – assets	632,577		42	405,622	67,584	159,329	0
II. Non-current liabilities			1,058,341	0	0	0	0
Interest-bearing liabilities	1,058,341	8-25	1,058,341				
III. Current liabilities			148,903	0	1,989	0	100,740
Interest-bearing liabilities	148,903	8-25	148,903				
Other financial liabilities	1,989	33			1,989		
Trade and other payables	100,740	30					100,740
Total financial instruments – liabilities	1,309,973		1,207,244	0	1,989	0	100,740

Summary of financial instruments at balance sheet date							In thousands of €
	31-12-2010	Note	Financial assets or financial liabilities at cost	Held-to-maturity investments at cost	Assets or liabilities at fair value	Loans and receivables at cost	Other liabilities at cost
I. Non-current assets			**39**	**0**	**0**	**87,569**	**0**
Other non-current financial assets	39	16	39				
Finance lease receivables	27,370	7b-17				27,370	
Other non-current assets	60,199	18				60,199	
II. Current assets			**0**	**559,173**	**42,960**	**61,716**	**0**
Other current financial assets	24,368	33			24,368		
Finance lease receivables	1,718	7b-17				1,718	
Trade and other receivables	59,998	21				59,998	
Short-term investments	18,592	7b-22			18,592		
Cash and cash equivalents	559,173	7b-22		559,173			
Total financial instruments – assets	**751,457**		**39**	**559,173**	**42,960**	**149,285**	**0**
II. Non-current liabilities			**1,161,314**	**0**	**0**	**0**	**0**
Interest-bearing liabilities	1,161,314	8-25	1,161,314				
III. Current liabilities			**86,366**	**0**	**3,005**	**0**	**100,314**
Interest-bearing liabilities	86,366	8-25	86,366				
Other financial liabilities	3,005	33			3,005		
Trade and other payables	100,314	30					100,314
Total financial instruments – liabilities	**1,350,999**		**1,247,680**	**0**	**3,005**	**0**	**100,314**

Fair value measurement hierarchy

- Level 1: The fair value of short-term investments is based on quoted prices.
- Level 2: The fair value of other financial assets and liabilities is based on inputs other than quoted prices that are observable for the asset or liability concerned, either directly or indirectly.

Unused credit lines

The group had €64,497 thousand in unused credit lines available at 31 December 2011, compared with €66,997 thousand at 31 December 2010.

Note 34. Related parties

The company Fluxys G has control over Fluxys SA.

Since September 2010, transactions with related parties have mainly involved services provided to Fluxys G as well as transactions with Fluxys Finance SA, in which the management of group Fluxys G's cash funds and financing is centralised.

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Related parties								In thousands of €
	31-12-2011				31-12-2010			
	Joint ventures	Associates	Other related parties	Total	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	**0**	**0**	**379,765**	**379,765**	**0**	**0**	**470,434**	**470,434**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**9,616**	**9,616**
1.1. Securities other than shares	0	0	0	0	0	0	0	0
1.2. Loans	0	0	0	0	0	0	9,616	9,616
2. Other non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1. Finance lease contracts	0	0	0	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0	0	0	0
3. Trade and other receivables	**0**	**0**	**68,444**	**68,444**	**0**	**0**	**1,857**	**1,857**
3.1. Trade receivables	0	0	444	444	0	0	1,857	1,857
3.2. Finance lease contracts	0	0	0	0	0	0	0	0
3.3. Other receivables	0	0	68,000	68,000	0	0	0	0
4. Cash and cash equivalents	**0**	**0**	**311,321**	**311,321**	**0**	**0**	**458,961**	**458,961**
5. Other current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**0**	**0**	**0**	**0**	**0**	**0**	**11,751**	**11,751**
1. Interest-bearing liabilities (current and non-current)	**0**	**0**	**0**	**0**	**0**	**0**	**11,751**	**11,751**
1.1. Bank borrowings	0	0	0	0	0	0	0	0
1.2. Finance lease contracts	0	0	0	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0	0	0	0
1.4. Other borrowings	0	0	0	0	0	0	11,751	11,751
2. Trade and other payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1. Trade payables	0	0	0	0	0	0	0	0
2.2. Other payables	0	0	0	0	0	0	0	0
3. Other current liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
III. Transactions with related parties								
1. Sale of non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2. Purchase of non-current assets (-)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3. Services rendered and goods delivered	**0**	**0**	**3,131**	**3,131**	**0**	**0**	**1,523**	**1,523**
4. Services received (-)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5. Financial income	**0**	**0**	**3,460**	**3,460**	**0**	**0**	**863**	**863**
6. Key management personnel remunerations (including directors)			**3,234**	**3,234**			**3,076**	**3,076**
Short-term employee benefits			2,765	2,765			2,560	2,560
Post-employment benefits			469	469			516	516

Note 35. Segment information

Operating segments

Fluxys group carries out activities in the following operating segments: transmission, storage, and LNG terminalling activities in Belgium, and other activities.

The segment information is based on classification into these operating segments.

Transmission activities comprise all operations subject to the Gas Act related to transmission in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage in Belgium at Loenhout.

Terminalling activities comprise all activities subject to the Gas Act related to the LNG terminal in Belgium at Zeebrugge.

The segment 'other activities' comprises other services rendered by Fluxys group such as participating in the IZT and ZPT terminals in Belgium[6] chartering an LNG ship, work for third parties and cathodic protection works. The group performed activities relating to management of the Zeebrugge Hub, gas transmission projects outside Belgium (BBL facilities), gas dispatching services and the sale of software solutions until 30 September 2010, when these activities were transferred to Fluxys G and Fluxys Europe as part of the restructuring of the group.

Basis of accounting relating to transactions between operating segments

Transactions between operating segments mainly relate to capacity reservations by one segment subject to the Gas Act with another.

They are valued on the basis of the regulated tariffs in force.

Information relating to the main customers

The group's main customers are users of transmission and storage services and of the LNG terminal at Zeebrugge.

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[6] Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

Segment income statement at 31-12-2011						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Inter-segment transfers	Total
Revenue						
Sales and services to external customers	537,871	40,992	102,542	28,452	0	709,857
Transactions with other segments	1,173	5,547	4,867	11,876	-23,463	0
Other operating income	5,025	181	399	5,822	0	11,427
Consumables, merchandise and supplies used	-23,395	-1,330	-13,243	-1,370	210	-39,128
Miscellaneous goods and services	-118,938	-9,606	-22,034	-12,328	23,253	-139,653
Employee expenses	-100,472	-10,661	-14,949	-4,945	0	-131,027
Other operating expenses	-6,304	-516	-2,099	-255	0	-9,174
Depreciation and amortisation	-95,811	-7,293	-22,345	-3,249	0	-128,698
Provisions for risks and charges	166,496	-180	-440	18,600	0	184,476
Impairment losses	-233,679	0	0	-1	0	-233,680
Profit from continuing operations	**131,966**	**17,134**	**32,698**	**42,602**	**0**	**224,400**
Gain/loss from disposal of financial assets	0	0	0	0	0	0
Changes in the fair value of financial instruments	1,016	0	0	461	0	1,477
Financial income	1,933	236	188	11,481	0	13,838
Financial expenses	-29,944	-3,657	-3,734	-15,609	0	-52,944
Profit/loss from continuing operations after net financial result	**104,971**	**13,713**	**29,152**	**38,935**	**0**	**186,771**
Income tax expense						-64,692
Profit/loss for the period						**122,079**

Profit from continuing operations in the 'Transmission' and 'Terminalling' segments was up on 2010, due to a combination of the continuation of the investment programme and an increase in the authorised return on invested capital following the change in the rates of Belgian government bonds (OLOs).

Profit from the 'Storage' operating segment in 2010 reflects the impact of the decision to close the peak-shaving facility in Dudzele, which explains the fall in profit from continuing operations in this segment.

In the first nine months of 2010, profit from the 'Other activities' segment included the contribution of Fluxys Europe, Huberator and GMSL. On 30 September 2010, these companies left the consolidation scope. This is the main reason for the fall in profit for this segment.

Segment balance sheet at 31-12-2011						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Unallocated	Total
Property, plant and equipment	1,834,959	216,563	387,636	89,690	0	2,528,848
Intangible assets	14,913	311	39	0	0	15,263
Goodwill	0	0	0	0	0	0
Inventories	43,065	0	177	93	0	43,335
Other current financial assets	0	0	0	25,600	0	25,600
Financial lease receivables	0	0	0	27,370	0	27,370
Net trade receivables	7,709	166	4,109	7,141	0	19,125
Other assets	0	0	0	0	568,962	568,962
						3,228,503
Interest-bearing liabilities	581,214	71,069	75,450	479,511	0	1,207,244
Other current financial liabilities	1,989	0	0	0	0	1,989
Other liabilities	0	0	0	0	2,019,270	2,019,270
						3,228,503
Investments in property, plant and equipment for the fiscal year	219,853	21,152	11,479	825	0	253,309
Investments in intangible assets for the fiscal year	5,135	70	6	0	0	5,211

Segment income statement at 31-12-2010						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Inter-segment transfers	Total
Revenue						
Sales and services to external customers	410,526	90,932	93,060	63,197	0	657,715
Transactions with other segments	765	2,508	5,022	13,431	-21,726	0
Other operating income	4,636	5,352	242	6,262	-5,004	11,488
Consumables, merchandise and supplies used	-20,843	-1,285	-10,108	-2,080	54	-34,262
Miscellaneous goods and services	-119,655	-10,828	-20,645	-14,639	21,676	-144,091
Employee expenses	-88,674	-10,743	-14,024	-6,440	0	-119,881
Other operating expenses	-4,766	-31,811	-2,093	-495	0	-39,165
Depreciation and amortisation	-83,577	-6,775	-19,540	-5,973	0	-115,865
Provisions for risks and charges	-1,500	-10,500	0	6,757	5,000	-243
Impairment losses	2,008	0	13	-23	0	1,998
Profit from continuing operations	**98,920**	**26,850**	**31,927**	**59,997**	**0**	**217,694**
Gain/loss from disposal of financial assets	0	0	0	121,943	0	121,943
Changes in the fair value of financial instruments	801	0	0	27	0	828
Financial income	906	119	89	17,464	0	18,578
Financial expenses	-22,114	-2,912	-2,440	-25,262	0	-52,728
Profit/loss from continuing operations after net financial result	**78,513**	**24,057**	**29,576**	**174,169**	**0**	**306,315**
Income tax expense						-58,625
Profit/loss for the period						**247,690**

Segment balance sheet at 31-12-2010						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Unallocated	Total
Property, plant and equipment	1,728,879	203,518	398,451	113,657	0	2,444,505
Intangible assets	294,940	369	44	0	0	295,353
Goodwill	0	0	0	0	0	0
Inventories	51,525	0	172	205	0	51,902
Other current financial assets	0	0	0	24,368	0	24,368
Financial lease receivables	0	0	0	29,088	0	29,088
Net trade receivables	5,648	148	201	10,978	0	16,975
Other assets	0	0	0	0	689,542	689,542
						3,551,733
Interest-bearing liabilities	527,292	64,340	57,064	598,984	0	1,247,680
Other current financial liabilities	3,005	0	0	0	0	3,005
Other liabilities	0	0	0	0	2,301,048	2,301,048
						3,551,733
Investments in property, plant and equipment for the fiscal year	308,615	45,720	7,767	30,474	0	392,576
Investments in intangible assets for the fiscal year	7,483	291	36	0	0	7,810

Note 36. Directors' and senior executives' remuneration

Pursuant to Article 11 of the Articles of Association, the Board of Directors of Fluxys SA comprises at least three and no more than 24 non-executive directors. A representative of the federal government also attends the meetings of the Board of Directors and the Strategic Committee.

The General Meeting of 8 May 2007 decided to bring the total maximum fees of the directors and government representative to €360,000 per annum indexed. As from 1 January 2006, the directors and government representative also receive an attendance fee.

Pursuant to Article 17.5 of the Articles of Association of Fluxys, the Board of Directors is authorised 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 Declaration 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 statements for the year ended 31 December 2011

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 statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity 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 statement of financial position shows total assets of 3.228.503 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 122.078 (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 van de 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 2011, 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, 15 March 2012
The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Jurgen Kesselaers

04 STATUTORY ACCOUNTS OF FLUXYS SA UNDER BELGIAN GAAP

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.

The annual accounts of Fluxys SA and the auditor's report have been filed with the National Bank of Belgium.

They are available on the Fluxys website (www.fluxys.com) and can also be obtained free of charge upon request at the following address:

Fluxys SA
Departement Communication
Kunstlaan 31 - 1040 Brussel

I. Balance sheet

Assets		In thousands of €
	31-12-2011	31-12-2010
Fixed assets	**2,312,139**	**2,352,577**
Formation expenses	533	667
Intangible fixed assets	15,224	201,167
Tangible fixed assets	2,141,020	1,982,810
Financial fixed assets	155,362	167,933
Current assets	**488,067**	**566,434**
Amounts receivable after more than one year	0	9,616
Stock and contracts in progress	43,158	51,726
Amounts receivable within one year	92,867	59,261
Current investments	1,220	1,165
Cash at bank and in hand	305,323	389,347
Deferred charges and accrued income	45,499	55,319
Total	**2,800,206**	**2,919,011**

Equity and liabilities		In thousands of €
	31-12-2011	31-12-2010
Equity	**893,958**	**1,334,007**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	719,383	764,597
Reserves	15,084	433,223
Accumulated profits	47,823	53,151
Capital subsidies	51,358	22,726
Provisions and deferred taxes	**79,908**	**232,845**
Provisions for risks and charges	51,763	219,443
Deferred taxes	28,145	13,402
Amounts payable	**1,826,340**	**1,352,159**
Amounts payable after more than one year	854,540	865,015
Amounts payable within one year	876,981	325,008
Deferred charges and accrued income	94,819	162,136
Total	**2,800,206**	**2,919,011**

II. Income statement

Income statement		In thousands of €
	31-12-2011	31-12-2010
Operating income	648,508	631,390
Operating charges	409,517	461,928
Operating profit	**238,991**	**169,462**
Financial income	102,928	44,711
Financial charges	43,358	42,100
Net financial income	**59,570**	**2,611**
Profit on ordinary activities before taxes	**298,561**	**172,073**
Extraordinary income	6	160,296
Extraordinary charges	577	878
Net extraordinary income / (expense)	**-571**	**159,418**
Profit for the period before taxes	**297,990**	**331,491**
Transfer from deferred taxes	**519**	**0**
Income taxes	**-141,285**	**-63,736**
Profit for the period	**157,224**	**267,755**
Transfer from untaxed reserves	**0**	**0**
Profit for the period available for appropriation	**157,224**	**267,755**

III. Appropriation account

Appropriation account	In thousands of €	
	31-12-2011	31-12-2010
Profit to be appropriated	**210,375**	**324,324**
Profit for the period available for appropriation	157,224	267,755
Profit carried forward from the previous period	53,151	56,569
Transfer from equity	**464,831**	**43,608**
From reserves	464,831	43,608
Transfer to equity	**3,442**	**0**
To the legal reserve	0	0
To the other reserves	3,442	0
Result to be carried forward	**47,823**	**53,151**
Profit to be carried forward	47,823	53,151
Profit to be distributed	**623,941**	**314,781**
Dividends	623,941	314,781
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, will be:	6.66€	336.00€

In December 2011, no advance on the dividend was paid. The gross unit dividend to be paid out for fiscal year 2011 is €8.88 per split share (€6.66 net). It will be payable from 15 May 2012.

IV. Capital at the end of the period

Capital at the end of the period	
	31-12-2011
Subscribed capital (in thousands of €)	
At the end of the previous period	60,272
At the end of the period	60,272

Capital represented by	
Registered shares	622,112
Dematerialised shares	76,128
Bearer shares	4,396

Shareholder structure

Declarant	Date of declaration	Share category	Number of voting rights declared	%
Fluxys G	10-09-2010	B/D	632,171	89.97

The Belgian State holds one specific share.

V. Income taxes

Income taxes	In thousands of €
	31-12-2011
Breakdown of heading 670/3*	
Income taxes on the result of the current period	**140,657**
Taxes and withholding taxes due or paid	101,002
Excess of income tax prepayments	0
Estimated additional taxes	39,655
Income taxes on previous periods	**682**
Additional taxes due or paid	357
Additional taxes (estimated or provided for)	325
Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	**298,509**
Permanent differences:	**115,312**
Definitively taxed income	-92,013
Non-deductible expenses	4,900
Notional interest	-746
Taxable reserves	47,753
Depreciation of financial fixed assets	577
Depreciation of intangible fixed assets	154,841
Total	**413,821**

** The regularisation of taxes (accounts 77) for an amount of €55 thousand in 2011 is not registered in this item.*

VI. Workforce

ONSS N°: 030012851238

Joint Commission N°: 326

1. Headcount

A. Employees recorded in the personnel register

1. During the year and the previous year	Full time 2011	Part time 2011	Total 2011	Total 2010
Average number of employees	939.0	91.2	1,007.37 *	1,030.25 *
Actual number of hours worked	1,394,101.42	101,680.90	1,495,782.32	1,538,805.51
Personnel costs	117,972,043.50	7,703,289.53	125,675,333.03	112,398,567.74
Benefits provided in addition to salary			1,792,419.69	1,931,581.48

2.At the year end	Full time	Part time	Total FTE *
a. Number of employees recorded in the personnel register	934	90	1,001.71
b. By contract type			
Permanent	901	90	968.71
Fixed term	33	0	33.00
Contract	0	0	0.00
Replacement	0	0	0.00
c. By gender and by level of education			
Men	768	33	792.40
Primary	2	0	2.00
Secondary	331	21	346.90
Higher non-university	329	6	333.80
University	106	6	109.70
Women	166	57	209.31
Primary	0	0	0.00
Secondary	44	12	53.03
Higher non-university	88	38	116.78
University	34	7	39.50
d. By professional category			
Executives	292	16	304.00
Staff	642	74	697.71
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	7.57	0.00
Actual number of hours worked	14,967.21	0.00
Cost to the business	479,471.80	0.00

2. Table of movements in personnel during the year

	Full time	Part time	Total FTE *
Additions			
a. Number of employees recorded in the personnel register during the year	100	1	100.80
b. By contract type			
Permanent	47	1	47.80
Fixed term	53	0	53.00
Contract	0	0	0.00
Replacement	0	0	0.00
Deductions			
a. Number of employees whose date of leaving is recorded in the personnel register during the year	120	3	122.40
b. By contract type			
Permanent	73	3	75.40
Fixed term	47	0	47.00
Contract	0	0	0.00
Replacement	0	0	0.00
c. Reasons for leaving			
Pension	27	3	29.40
Early pension	0	0	0.00
Dismissed	4	0	4.00
Other	89	0	89.00
Including: the number of persons who continue, at least part-time, to provide services to the business as contractors	0	0	0.00

** full time equivalents*

3. Information on workers training during the year

	Men	Women
Initiatives of formal continuing professional training paid for by the employer		
Number of workers concerned	803.00	217.00
Number of training hours	38,126.83	5,641.19
Cost to the business	3,312,953.45	476,256.91
Of which gross cost directly related to training	3,312,953.45	476,256.91
Of which fees paid and contributions to group funds	0.00	0.00
Of which grants and other financial advantages received (to be deducted)	0.00	0.00
Initiatives of less formal or informal continuing professional training paid for by the employer		
Number of workers concerned	330.00	83.00
Number of training hours	3,123.98	587.10
Cost to the business	226,463.51	42,876.19
Initiatives of initial professional training paid for by the employer		
Number of workers concerned	0.00	0.00
Number of training hours	0.00	0.00
Cost to the business	0.00	0.00

Questions regarding financial
and accounting data

José Ghekière
Tel 32 2 282 73 39
Fax 32 2 282 75 43
E-mail: jose.ghekiere@fluxys.com

Contacts with the press

Rudy Van Beurden
Tel 32 2 282 72 30
Fax 32 2 282 79 43
E-mail: rudy.vanbeurden@fluxys.com

This report is also available in Dutch and French.
For a copy in these languages, please contact
the Communication Department:

Tel 32 2 282 77 32
Fax 32 2 282 79 43
E-mail : communication@fluxys.com

Illustrations : **Mandragore**

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 **RPM Brussels** – D/2012/9484/3

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