FLUXYS BELGIUM
ANNUAL FINANCIAL REPORT

2012

FLUXYS

Regulated information – 12 April 2013

84th financial year

Reports to the Annual General Meeting of 14 May 2013

Contents


DENYS

Foreword

Fluxys' people spared no effort in 2012 as the company made further progress with connecting the gas markets and consolidating the position of its infrastructure as a crossroads for major gas flows.

First of all, we set up an entry/exit market access system that matches the future European model and established a Belgian gas exchange intended to become the reference point for gas prices in Belgium. The new system will also enable the companies directly connected to our grid to easily buy gas without intermediary. This significant change required investments in both the flexibility of our infrastructure and our ICT. We also had to amend over 75 customer contracts. Despite this, our transmission tariffs fell by around 6% when the new system was launched.

In Europe, Fluxys Belgium also actively contributed to building an integrated European natural gas market. Working as part of ENTSOG, the European network of transmission system operators for gas, we helped to draw up the network codes, including the code on capacity allocation mechanisms, which is currently in the final stage of the approval procedure (comitology).

Along with 19 other transmission operators, Fluxys is also one of the founding members of Prisma, which provides market players with a system for reserving cross-border capacity.

In late December, our sister companies Fluxys TENP and FluxSwiss, in collaboration with Fluxys Belgium and Snam Rete Gas, launched an open season for reservation of capacity between Italy and Belgium via Switzerland and Germany. This cross-border project is a first in Europe and will enable gas landing in Italy to be transported to Northern Europe, thus linking up two crossroads of gas flows, namely Belgium in the North and Italy in the South. Once implemented, this project will have a positive impact on both market liquidity and price competition.

At the LNG terminal, construction work got underway on a second jetty to increase the berthing capacity for LNG carriers. The second jetty will become operational in 2015 and will pave the way for the terminal to become a key link for the development of LNG as a fuel for shipping and road transport – new niches with considerable potential. The market has confirmed its interest in our investment: over 200 slots have been contracted so far, some of which by new customers.

2012 was a very busy year for the LNG terminal as the facility loaded a record number of LNG carriers, most of which were headed for Asia. This large-scale re-export of LNG may be considered a result of the shutdown of almost all of Japan's nuclear power stations and of the rocketing demand for natural gas in industry in China, India and South Korea. It also demonstrates that LNG markets are now global markets with close interactions between the regional areas of consumption (America, Europe, Asia), guided by wholesale gas prices.

In terms of storage activities, Fluxys Belgium made new capacity available and expanded its commercial offer. As volatility increases and summer/winter price differentials on the short-term markets shrink, storage is facing fierce competition for contracts offered on a yearly basis, the affected volumes being equivalent to around 1/7 of the overall storage capacity at Loenhout. Operators in neighbouring countries seem to be experiencing the same difficulties: available capacity had not been fully subscribed at the start of the winter in both 2011 and 2012.

Fluxys Belgium is ever mindful of how important prices are to its customers, and so strives to maintain competitive tariffs for infrastructure use while continuing to provide quality services. However, we are forced to state that the regulated rate of return on invested capital has become volatile. Current low interest rates cause the gross rate of return for investments in transmission to fall from 8.53% in 2011 to 6.94% in 2012. This evolution clearly highlights the paradox of an approach imposing at the same time variable remuneration and long-term depreciation of investments.

Nevertheless, in 2012 we achieved productivity gains above the thresholds set by CREG, which enabled us to partly offset the drop in the regulated rate of return. That said, in the long term it may be a good idea to set up a more appropriate return approach that does not deter investment. In a context where gas flows and prices are becoming ever more volatile, making significant investments in scaling up infrastructure to meet all users' needs is already a daunting prospect, even without volatile rates of return.

Finally, we note with concern that in recent years, natural gas consumption has been falling in Belgium and Europe, but is booming in the other two regions of consumption, Asia and America. This decrease has primarily affected the electricity sector: in Europe, it seems that gas is gradually being squeezed out of the energy mix in favour of renewable energies and coal. Estimates indicate that Europe's carbon footprint grew by 2% in 2012, whereas the United States' carbon footprint shrank.

However, we remain confident that natural gas, the cleanest of fossil fuels, will prove to be the best solution to complement renewable energy in the medium and long term. While creating the right conditions for gas-fired power generation to take up that role is a political responsibility, Fluxys Belgium fully intends to help promote natural gas by connecting up markets, boosting gas market liquidity and offering its customers competitive tariffs and services tailored to their needs.

In line with its public service mission, Fluxys Belgium in its dealings with all stakeholders will also continue to stress the vital role of natural gas in the energy mix of the future. As it goes, switching from coal, petrol, diesel or heavy fuel oil to natural gas directly reduces carbon emissions. Choosing for natural gas also has an immediate impact on air quality and health because natural gas has low emission values for nitrogen oxides and contains only negligible quantities of sulphur and particulate matter. Moreover, natural gas is in plentiful supply: the natural gas reserves we have at the moment will last for 250 years at current production levels. Finally, the wide range of applications for natural gas use tried-and-tested, extremely energy-efficient technology. In fact, natural gas (as LNG or CNG) is even set to become a fuel of choice for shipping and road transport.

With the second jetty, the Zeebrugge LNG terminal is to become a vital link for a network of intermediate LNG storage facilities and LNG filling stations from 2015 onwards. In the same vein Fluxys Belgium has resolved to foster the development of a 'blue corridor' by co-investing in partnerships in such stations, with the first projects to become concrete as early as 2013.

We would like to say a special word of thanks to Fluxys Belgium's staff for their expertise and dedication as they work to support the company's long-term development each day.

Walter Peeraer
Chairman of the Executive Board and CEO

Daniël Termont
Chairman of the Board of Directors

Shareholders' guide

Fluxys Belgium shares

Fluxys Belgium shares are listed on the regulated market of NYSE Euronext Brussels.

Shareholders' agenda

14 May 2013 – Annual General Meeting
22 May 2013 – Payment of dividends
28 August 2013 – 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 2013.

Stock split

The Fluxys Belgium share was split into 100 on 9 May 2012 with a view to boosting its accessibility and liquidity.

Payment of dividends

The gross dividend per share for financial year 2012 is €1.6 (€1.2 net), compared with €8.88 gross (€6.66 net) for the previous financial year. This is significantly lower than the dividend paid out for financial year 2011 because of the one-off distribution of reserves that took place in 2011. The amount of the recurring dividend is primarily determined by the invested equity, the financial structure and the interest rates (OLO). Interest rates hit an all-time low in 2012, negatively impacting the dividend.

Fluxys Belgium share

		2012	2011	2010	2009	2008
Price	Maximum	33.99	2,877	2,525	2,525	2,580
	Minimum	28.15	2,301	2,150	1,950	1,826
	Closing rate at 31 December	32.60	2,830	2,330	2,280	1,901
	Average	31.18	2,658	2,302	2,240	2,272
Cash flow per share		2.79	297.79	486.56	407.04	330.88
Consolidated net profit per share		1.26	173.74	352.04	146.94	165.16
Price/profit ratio at 31 December		26	16	7	16	12
Number of shares		70,263,501	702,636	702,636	702,636	702,636
Average daily volume traded		5,030	22	20	43	70

Gross/net dividend per share (€)

	2012*	2011*	2010 **	2009	2008
Gross dividend per share	1.60	8.88	448	70.00	70.00
Net dividend per share	1.20	6.66	336	52.50	52.50

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

	2012	2011	2010	2009	2008
Consolidated net result, Fluxys Belgium SA share	88.8	122	247	103	116

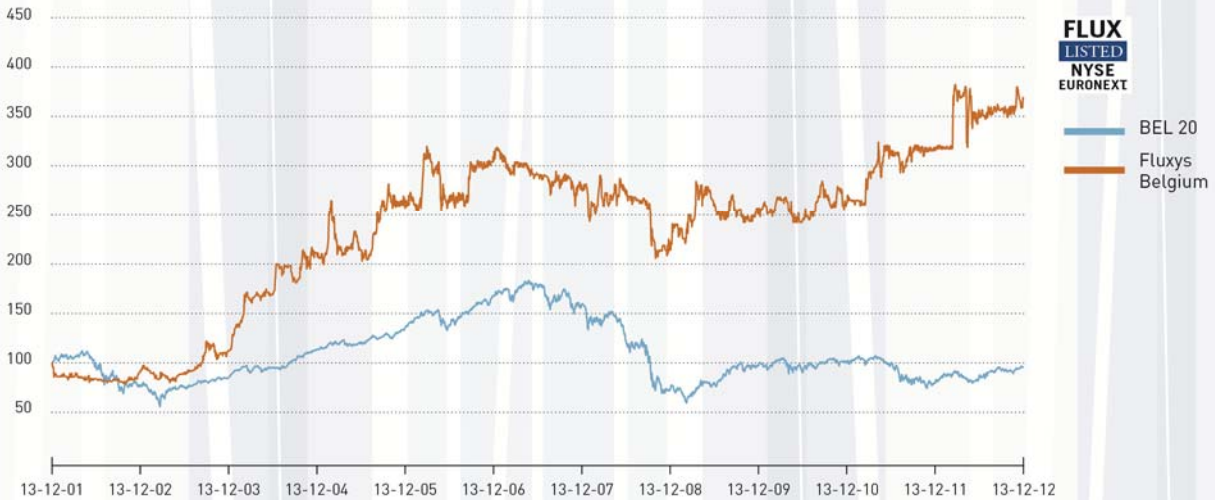
Consolidated equity, Fluxys Belgium SA share (in € million)

	2012	2011	2010	2009	2008
Consolidated equity, Fluxys Belgium SA share	828	1,363	1,401	1,369	1,311

* Expressed on the basis of 70,263,501 shares.
** In December 2010, an interim dividend of €228 was paid.

Notes on Fluxys Belgium shares

The Fluxys Belgium share price closed at €2,829.95 on 31 December 2011. If the impact of the share split were taken into account in order to produce comparable figures, the closing price would be €28.30. The lowest closing rate in 2012, €28.15, was reached four times between January and March. The highest closing price was €33.99 on 21 March. At the end of 2012, the share price was €31.18. The average daily volume of Fluxys Belgium shares traded on the regulated market of NYSE Euronext Brussels was 5,030 in 2012 compared with 22 in 2011 (equivalent to 2,200 shares, bearing in mind the share split).



EVOLUTION OF THE FLUXYS BELGIUM SHARE - BEL 20 (IN %)

- price 13-12-2001 = base 100%
- the Fluxys Belgium share price is calculated on the basis of splitted shares (on 09-05-2012 the stock was split: 1 old share was splitted in 100 new shares).

Fluxys Belgium in a nutshell

Services

Transmission – Fluxys Belgium 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 transmission to other end-user markets in Europe.

Storage – Fluxys Belgium 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 or their activities at the gas trading places.

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

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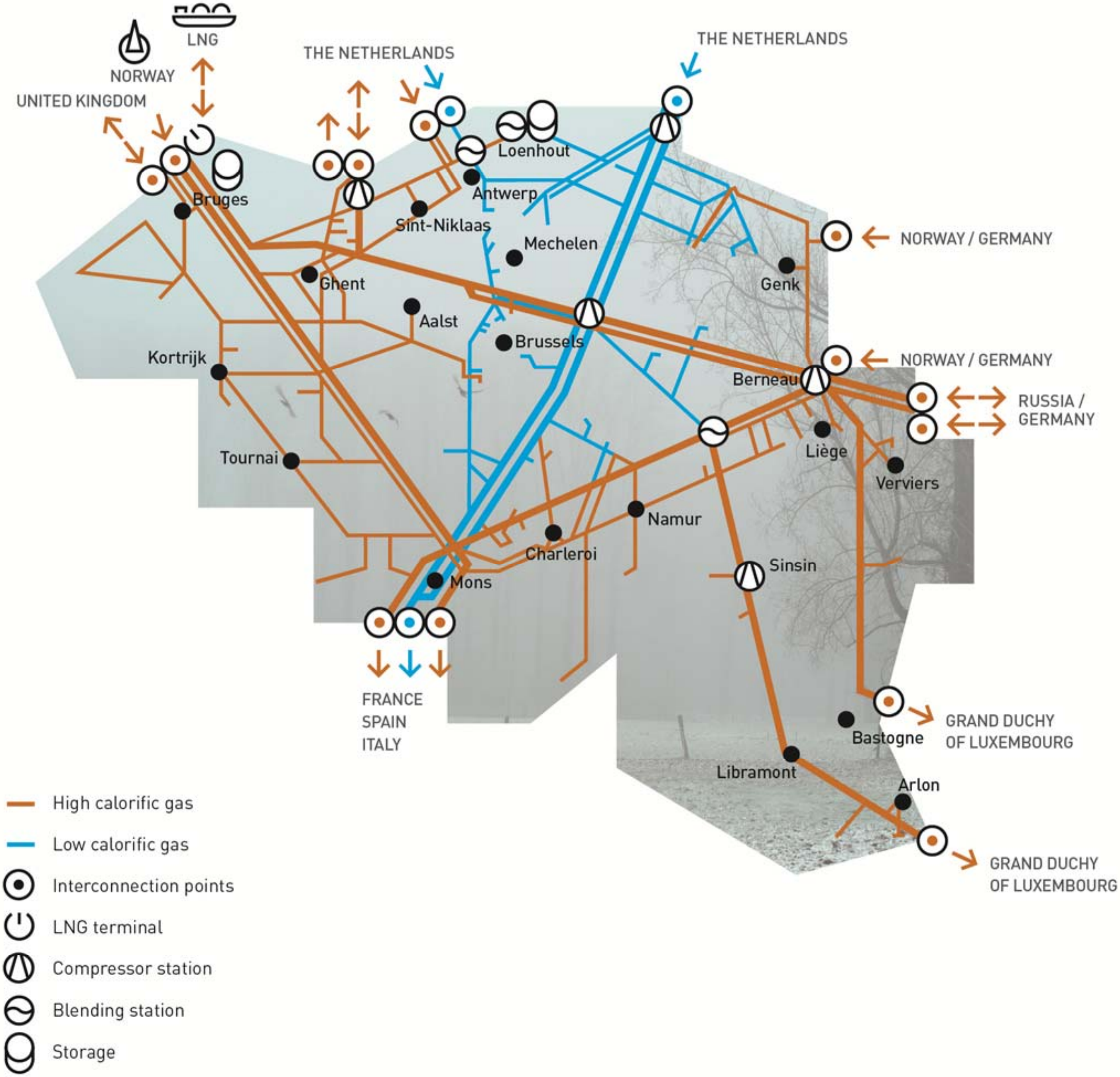


LNG
NORWAY
UNITED KINGDOM
THE NETHERLANDS
THE NETHERLANDS
Bruges
Loenhout
Antwerp
Sint-Niklaas
Mechelen
Ghent
Aalst
Brussels
Genk
NORWAY / GERMANY
NORWAY / GERMANY
Kortrijk
Berneau
RUSSIA / GERMANY
Liège
Verviers
Tournai
Namur
Charleroi
Sinsin
Mons
FRANCE
SPAIN
ITALY
Bastogne
GRAND DUCHY OF LUXEMBOURG
Libramont
Arlon
GRAND DUCHY OF LUXEMBOURG
High calorific gas
Low calorific gas
Interconnection points
LNG terminal
Compressor station
Blending station
Storage

Fluxys Belgium: part of the Fluxys group

Our vision

Europe needs natural gas and Fluxys builds bridges between markets – Natural gas will remain a core component of the energy mix in tomorrow's low-carbon economy. As a natural gas infrastructure company for Europe, Fluxys aims to build bridges between markets so that suppliers can transmit natural gas flexibly between gas trading points and from any border to their customers.

Our mission

- Ensure security of supply and connect and promote liquid trading points
- Operate infrastructure safely, efficiently and sustainably
- Provide quality services tailored to market expectations
- Create long-term value for shareholders

Our values

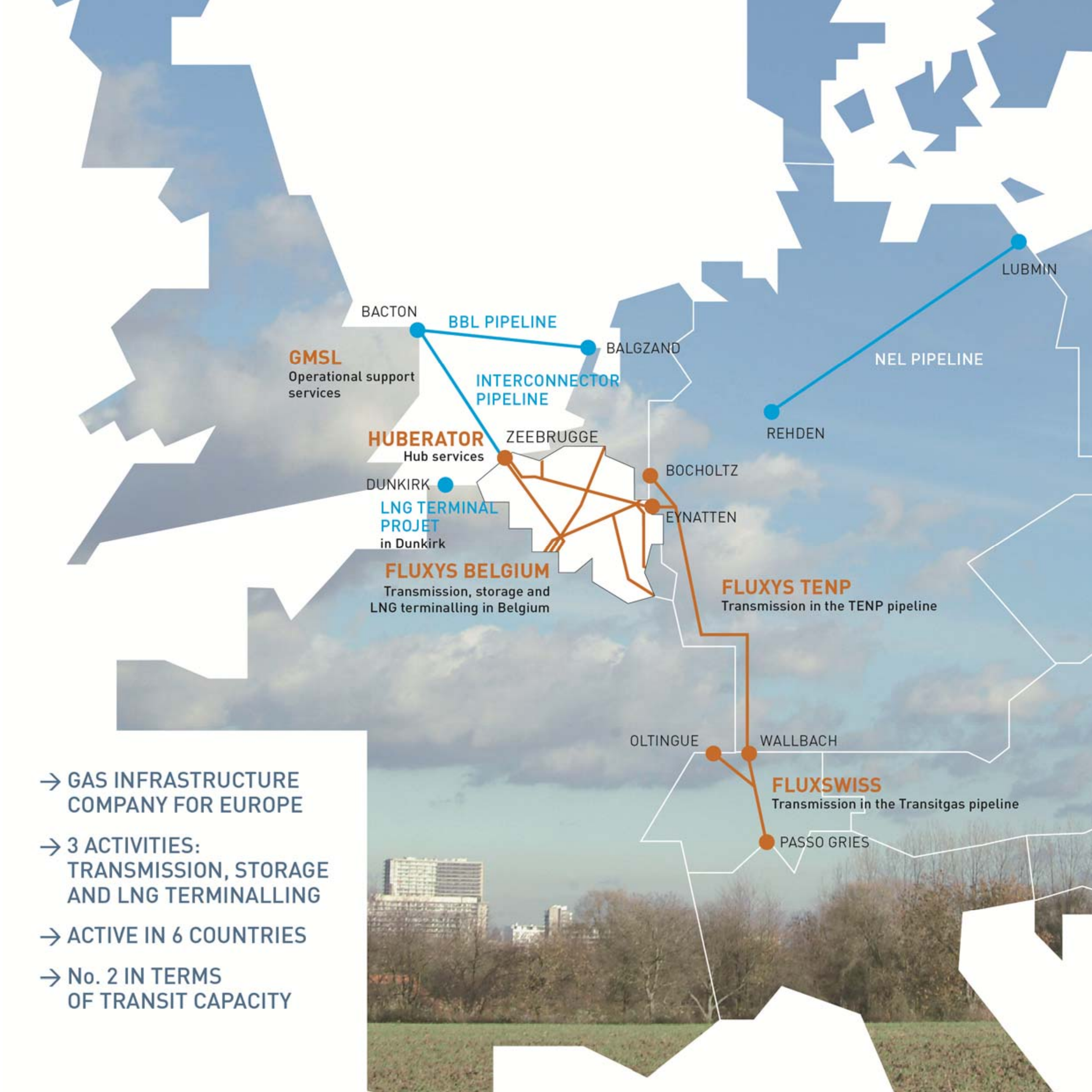
Customer focus – We monitor our environment closely and listen to our customers' needs. This approach is the driving force for achieving the results we strive for.

Cohesion – For us, cooperation and team work are the key to achieving our aims together.

Efficiency – We are committed to making efficiency and best practices the guiding principles in everything we do. We systematically develop our expertise and always look for creative and cost-effective solutions.

Sustainability – Together, we prioritise the safety of our facilities because we are responsible for transmitting an energy that entails risks. In the same spirit of sustainability, we safeguard well-being at work and endeavour to minimise the impact of our activities on the environment.

Good neighbourly relations – Our activity is of general economic interest and our infrastructure is an integral part of its environment. In a spirit of open dialogue, we strive for good relations with all parties affected by the construction and operation of our facilities.

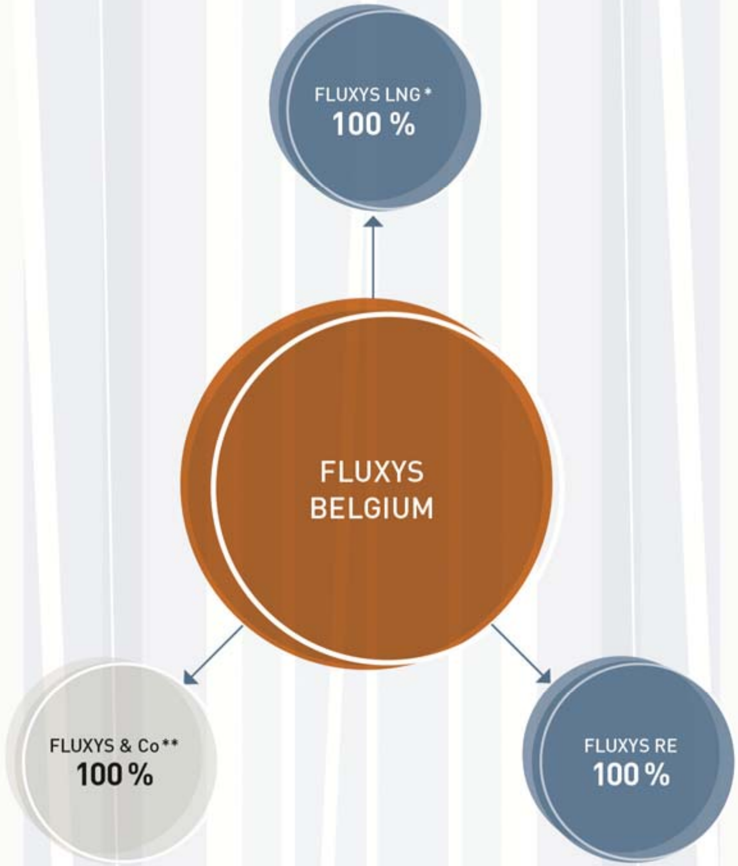


→ GAS INFRASTRUCTURE COMPANY FOR EUROPE

→ 3 ACTIVITIES: TRANSMISSION, STORAGE AND LNG TERMINALLING

→ ACTIVE IN 6 COUNTRIES

→ No. 2 IN TERMS OF TRANSIT CAPACITY

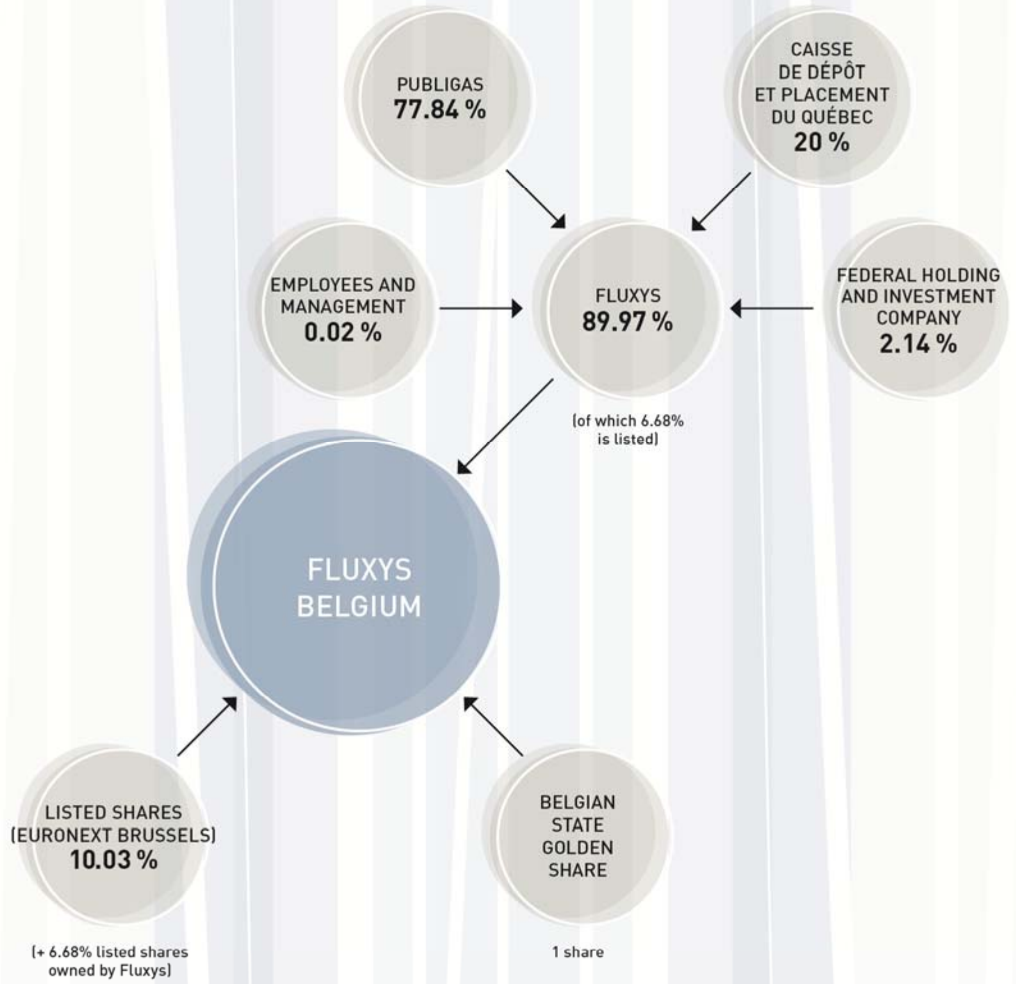


FLUXYS BELGIUM SUBSIDIARIES

Consolidated companies

* Fluxys RE holds 1 share in Fluxys LNG

** In January 2013, Fluxys Belgium sold its subsidiary Fluxys & Co



SHAREHOLDERS

Corporate bodies as at 20 March 2013

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
Caroline De Padt *
Hélène Deslauriers *
Mireille Deziron
André Farber *, *Chairman of the Corporate Governance Committee*
Luc Hujoel
Luc Janssens
Ludo Kelchtermans, *Chairman of the Audit Committee*
Monique Lievens *
Patrick Moenaert
Walter Nonneman *
Josly Piette
Yves Rheault
Henriette Van Caenegem *
Christian Viaene, *Chairman of the Appointment and Remuneration Committee*
Luc Zabeau

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

François Fontaine, *federal government representative acting in an advisory capacity*
Aart Geens, *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.

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*
Aart Geens, *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

Ludo Kelchtermans, *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

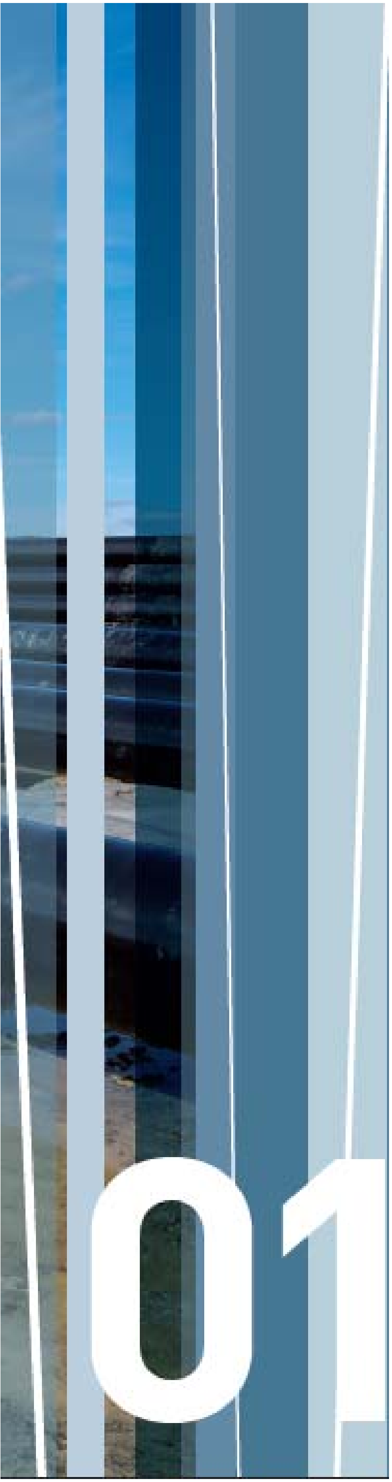
Operational management of the company, including day-to-day operations and representation of the company vis-à-vis third parties, is the responsibility of the Executive Board, which is composed as follows:

- 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
- Jean-Luc Vandebroek, member of the Executive Board and Chief Financial Officer since 1 September 2012
- Michel Vermout, member of the Executive Board and Chief Financial Officer until 1 September 2012

The Executive Board is assisted by the following members of management, with whom they form the *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.



1. 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 2012 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 2012.

Fluxys Belgium sold its subsidiary Fluxys & Co after the close of the financial year (see p. 78).

Declaration regarding the financial year ending 31 December 2012

We hereby attest that to our knowledge:

- Fluxys Belgium's 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, 20 March 2013

Jean-Luc Vandebroek	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. Introduction of entry/exit market model and inauguration of ZTP trading point

New entry/exit market model launched successfully

User-friendly and flexible. Fluxys Belgium successfully launched its entry/exit market model according to schedule on 1 October 2012, thanks to its intensive, productive cooperation with federal energy regulator CREG, grid users, and the major consumers with direct connections. The new system enables suppliers to flexibly book and use capacity on the Belgian transmission grid. Major efforts have been made to develop a user-friendly system that ensures maximum availability of real-time grid use data.

The model ties in perfectly with the European Union's blueprint for an integrated European natural gas market: a unified system of optimally interconnected transmission grids that suppliers can access through flexible entry/exit systems, plus efficient gas trading points between which users can channel natural gas flows. In North-Western Europe, that blueprint is already well on the way to becoming a reality. There is substantial convergence between prices at the various gas trading points: if the price at a particular trading point rises sufficiently, natural gas will flow there from the other markets until the price differences return to the level of the cost of transmission between the markets.

New electronic booking system. Fluxys Belgium introduced a new electronic booking system for its customers at the same time as the new market model. The new system is available to grid users 24/7 and their reservations are confirmed by text message. They can also download their updated reservation portfolios immediately. One standout feature of the new electronic booking system is its flexibility: it gives customers the option of reserving capacity for the next gas day right up until midnight. If the requested capacity is available and no other simulations are required, they are sent the booking confirmation immediately.

ZTP: a new central trading point with a Belgian price index

A trading point and market. Fluxys Belgium opened launched its new central trading point ZTP together with its new entry/exit system. With this new approach, every cubic meter of natural gas entering the Belgian grid is automatically available on ZTP, where suppliers can buy and sell it easily via the APX Gas ZTP market. Fluxys Belgium is also active on the market: any imbalance between incoming and outgoing flows on the transmission grid (i.e. surpluses or shortfalls) is rectified via the market. Once the new market is up to speed, the index will have sufficient clout to be used in calculating end consumer prices.

As a bilateral gas trading point, Zeebrugge Beach in the Zeebrugge area remains one of the most liquid markets in Europe. The difference in the natural gas prices at Zeebrugge Beach and NBP in the UK determines the direction of natural gas flows through the Interconnector pipeline, which connects the two markets. A total volume of 752 TWh was traded at Zeebrugge Beach and ZTP in 2012. In the first three months after ZTP opened, the average daily volume traded was 100 GWh, a modest but promising result.

Large-scale consumers can buy directly on ZTP. This new system also benefits companies connected directly to the Fluxys Belgium grid, giving them an easy way to buy their own natural gas directly on ZTP.

1.1.2. Growth in sales

Despite the depressed economic climate and the drop in natural gas consumption, Fluxys Belgium managed to increase its sales figures thanks to sales of additional short-term transmission capacity and intense use of loading services at the LNG terminal. Fluxys Belgium's turnover is largely determined by reserved capacity, not the changes in transmitted volumes.

1.1.3. Zeebrugge's development as a hub for small-scale LNG use

Second jetty: new long-term capacity reservations. New users of the Zeebrugge LNG terminal have booked slots for loading over 200 small ships at the second jetty which is currently being built (see also p. 55). It is set to become operational in 2015 and will offer berthing space for a wide range of small and large LNG carriers. Following on from the marketing of carrier truck loading in 2008, this latest move is a new step in the terminal's development as a hub for small-scale LNG.

With the second jetty and the newly booked capacity for loading small LNG ships, the Zeebrugge LNG terminal is moving further towards becoming a hub for small-scale LNG use. From Zeebrugge, LNG can be transported in small ships to all ports in Belgium and North-West Europe. Fluxys LNG is currently working with the inland ports, the Flemish government and various companies, among others, to examine what form the basic infrastructure for supplying LNG to ships and trucks should take.

Bunkering pioneer. The *Argonon*, a Deen Shipping LNG bunkering ship supplying sea-going ships with fuel in Antwerp and Rotterdam, conducted a problem-free LNG bunkering operation in Antwerp that was the first of its kind in Belgium. The LNG was transported by truck from Zeebrugge to the Port of Antwerp. The *Argonon*'s Antwerp operation marks the successful introduction of LNG to inland shipping.

1.1.4. New tariffs approved by CREG

Lower transmission tariffs

On 6 July 2012, Fluxys Belgium submitted an amended proposal to CREG with a view to keeping the prices for its transmission services competitive. CREG approved the proposal and when the new entry/exit market system launched on 1 October, transmission tariffs dropped by around 6% from the previously approved tariffs.

New tariffs for LNG terminalling

In late 2012, CREG approved Fluxys LNG's latest tariff proposal. It sets out the tariffs for 2013-2027, which will remain unchanged for existing contracts. It also introduced a special tariff in view of market demand for loading small ships with LNG at Zeebrugge.

1.1.5. €106 million invested in infrastructure in Belgium in 2012

Over the last five years, Fluxys Belgium has pursued an ambitious investment programme with a total value of almost €1.2 billion. In 2012, Fluxys Belgium invested €106 million in infrastructure projects in Belgium. 72.7% of the total amount invested was allocated to transmission projects, 11.3% to storage projects and 16% to LNG terminalling projects.

1.1.6. Green light for connection between Dunkirk and Zeebrugge

New pipeline due to be commissioned in late 2015. In March 2012, Fluxys Belgium and French transmission system operator GRTgaz successfully concluded their joint market consultation on new capacity between Dunkirk and Zeebrugge: grid users made capacity commitments totalling over 219 GWh per day (80 TWh per year) for a term of up to 20 years.

To make that capacity available, GRTgaz will lay a 26-km pipeline between the Dunkirk LNG terlinal and the French-Belgian border. Fluxys Belgium will build a new interconnection point at Alveringem and lay a 72-km pipeline between Alveringem and Maldegem. This additional infrastructure will require an investment of €150 million on the part of Fluxys Belgium. Both TSOs are working together to have the new capacity ready for use by late 2015 to coincide with the commissioning of Dunkirk LNG terminal.

Blazing a trail in cross-border capacity. The Dunkirk-Zeebrugge pipeline project is the first of its kind in Europe in various respects. Its development is the result of close cooperation between the national regulators and the relevant TSOs. Moreover, Fluxys Belgium is the first TSO in Europe to offer cross-border capacity through a single contract (capacity from Dunkirk in France to future virtual trading point ZTP). With this in mind, Fluxys Belgium has already reserved long-term capacity from GRTgaz for transmission from Dunkirk to the French-Belgian border.

Bolstering security of supply, market liquidity and market integration. The Dunkirk-Zeebrugge pipeline will connect three key pieces of infrastructure: the Dunkirk LNG terminal, which will serve as a new point of entry into Europe, the GRTgaz grid and the Fluxys grid. The link will allow an additional 8 billion cubic metres of natural gas per year to be transmitted from the Dunkirk LNG terminal to Belgium and on to other locations in Europe, thus enhancing security of supply and further diversifying natural gas sources. This project is an example of how the European natural gas system should work in the spirit of the Third Energy Package.

1.1.7. Project for gas transmission between Italy and the United Kingdom

Coordinated process. In late December 2012, sister companies Fluxys TENP and FluxSwiss, working in cooperation with Fluxys Belgium and Italian TSO Snam Rete Gas, launched a coordinated market process giving interested grid users the option of reserving long-term gas transmission capacity from the Italian trading point PSV through Switzerland to the German trading points NCG and Gaspool and/or the Belgian trading point ZTP.

The coordinated process aimed to confirm the market's binding interest in booking south-to-north long-term transmission capacity so that final investment decisions can be made in line with market needs. The four TSOs' joint approach is rooted in the Memorandum of Understanding signed by parent companies Snam and Fluxys in August with a view to developing and selling transmission capacity from south to north between Italy and the United Kingdom.

Grids made bi-directional. Along the gas transmission route between the United Kingdom and Italy, only the Belgian grid and the Interconnector pipeline between the British and Belgian markets can currently transmit gas in both directions. At present, the TENP and Transitgas grids in Germany and Switzerland and the Italian grid are designed for north-to-south flows only. The market process is a unique opportunity for market users to enable the market to benefit from bi-directional transmission capacity between Italy, Switzerland, Germany and Belgium.

Enhancing security of supply and market liquidity. Creating reverse-flow capacity for transmission from Italy through Switzerland to Germany and Belgium will boost security of supply as it will open up additional options for supply to North-West Europe from Italy. It will also increase market liquidity by enhancing the connection between gas trading points in Italy, Germany, Belgium and the United Kingdom.

1.1.8. Fluxys Belgium helps shape European capacity platform

An important step on the way to an integrated European gas market was taken with the creation of the joint capacity platform *PRISMA European Capacity Platform*. Nineteen transmission system operators from the Netherlands, Austria, Belgium, Denmark, Germany, France and Italy, including Fluxys Belgium and its sister company Fluxys TENP, are pooling their experience in gas transmission and capacity platforms. This joint capacity platform is bringing together the gas markets of seven countries in the heart of Europe and will work proactively using the capacity allocation mechanisms set out in the future European network code, which is currently in the last stage of the approval process (see also p. 43). In a first stage, Fluxys Belgium and the TSOs in neighbouring countries will offer through Prisma cross-border day-ahead capacity. Other TSOs are expected to join Prisma at a later stage.

1.1.9. Staff trends

An evolving organisation. Alongside Fluxys Belgium's 1,054 employees, over 400 third party collaborators contributed their expertise in various fields to the company in 2012. Fluxys Belgium and Fluxys LNG took on 68 new staff members in 2012 with a view to strengthening the organisation and replacing retiring employees.

Fluxys Belgium is keen to offer its staff dynamic career prospects and encourages job mobility. In 2012, 6% of Fluxys staff opted to take on a new role within the company. These opportunities for mobility motivate our staff and contribute to Fluxys Belgium's high retention rate: just 1% of employees left the company in 2012.

Fluxys Belgium is investing more than ever in its employees' knowledge. Over the last 10 years, the number of hours of training delivered almost doubled from 22,635 to 39.931, with a sharp increase in the number of hours of training on safety and technical subjects. 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.

Employees and management as shareholders in parent company Fluxys. In November 2012, Fluxys Belgium's parent company Fluxys launched a shareholding plan for the employees and management of its subsidiaries. A considerable proportion of the employees and management in Belgium, France, the United Kingdom, Germany and Switzerland took part in the plan: their subscriptions easily reached the pre-determined limit of almost €3 million. The shareholding plan gave employees the opportunity to help lay the foundation for the group's growth potential. By taking the plunge into shareholding, they demonstrate their commitment to and confidence in Fluxys.

1.2. Activities

1.2.1. Financially sound company

Consolidated net profit: €88.8 million (2011: €122.1 million). The consolidated net profit for the period was €88.8 million, a decrease of €33.3 million compared to 2011. This decrease was tempered by €10 million as productivity gains were higher than the reduction of manageable costs imposed by CREG.

The net profit from regulated activities is primarily determined by the invested equity, the financial structure and the interest rates (OLOs):

- The pay-out of €421.6 million of available reserves in 2012 caused a decrease in equity, which in turn translates to a €5.6 million reduction in operating profit. However, the return on the remaining equity has risen thanks to the improved financial structure, which is now more in line with the regulatory framework.
- The interest rates used as a reference for calculating the allowed return on the regulated assets are the 10-year linear bonds issued by the Belgian state (OLOs). These interest rates hit a historic low in 2012. By way of comparison, the average 10-year OLO rate for the past five years was 4%, whereas the average rate for 2012 was just under 3%, leading to a €23.7 million drop in the regulated net profit.

Fluxys Belgium paid out €421.6 million of reserves to its stakeholders. The Fluxys Belgium General Meeting of 15 May 2012 decided to pay out the company's available reserves to an amount of €421.6 million, enabling the company to move towards a financial structure more in line with the Belgian regulatory framework (1/3 own equity to 2/3 borrowed funds). This new financial structure will improve return on equity (by between 0.25% and 0.34%, depending on the activity involved) and help us to keep our tariffs competitive, since the cost of borrowed funds does not weigh as heavily on tariffs as the cost of equity.

The share of reserves paid to parent company Fluxys will be used to finance the group's development and its investments in Belgium and Europe with a view to attracting new gas flows to Belgium, thus strengthening security of supply and consolidating the Belgian grid's role as a crossroads for gas flows.

Dividend 2012: € 1.2 net per share. The proposed net dividend for 2012 is €1.2 per share.

Retail bond issue particularly successful. On 4 April 2012, Fluxys Belgium issued a retail bond for a set nominal amount of €350 million that was terminated early the same day. The bond issue's success confirms the confidence of the market and the financial institutions in the company's financial reliability and in the crossroads function of the Belgian natural gas grid in North-Western Europe.

Fluxys Belgium will use the proceeds from the transaction to finance its investment programme. The bond issue also makes the company's financial structure evolve towards a ratio that is more in line with the regulatory framework in Belgium.

1.2.2. Final compensation for the victims of Ghislenghien

Fluxys Belgium believes that the victims of technological accidents like the Ghislenghien disaster should be compensated as quickly as possible, and that delaying compensation until court proceedings are concluded needlessly exacerbates their suffering. For that reason, Fluxys Belgium decided to take on its corporate responsibility and work out, with its insurers, a settlement for final compensation of the victims, outside of the court proceedings and regardless of their outcome. The total amount of the compensation was over €30 million.

1.2.3. Fluxys Belgium certified as an independent transmission system operator

In September, Belgian federal energy regulator CREG certified Fluxys Belgium as a transmission system operator (TSO) that operates completely separately from natural gas suppliers and producers. This makes Belgium one of the first countries in Europe with a natural gas TSO certified in accordance with the full ownership unbundling model.

The certification is part of the European Commission's third package of legislative measures on natural gas. The Member States' regulators must check whether TSOs comply with the requirements of independence from suppliers and producers. CREG's analysis confirmed that Fluxys Belgium met all the requirements of the full ownership unbundling model.

Preparations are now being made for certification of Fluxys Belgium's subsidiary Fluxys LNG, in cooperation with CREG.

1.2.4. New niches for natural gas use

Natural gas: cutting emissions immediately. In line with the commitment undertaken with Gasunie and Energinet.dk, 2012 saw Fluxys Belgium focus on further developing the market for natural gas as a fuel for road and water transport. After all, switching from coal, petrol, diesel or heavy fuel oil to natural gas directly reduces CO_2 emissions and also has an immediate impact on air quality and the health effects linked to it: combustion of natural gas emits significantly lower quantities of nitrogen oxides, and the amounts of sulphur and fine particles released are negligible. An additional advantage of natural gas combustion is that it uses tried-and-tested technology that has already demonstrated its reliability.

Cars, vans and buses: CNG. CNG (Compressed Natural Gas) technology offers an alternative for cars, vans and buses. In Europe, over 1 million vehicles are already running on CNG, and Belgium still has a long way to go compared with countries like Germany and Italy. In 2011, Fluxys Belgium created the association CNGdrive with a view to promoting CNG in partnership with professional federations and interested companies from the automotive and gas industries. There is now a wide and increasing range of adapted vehicles on the market, but the number of filling stations remains low. With that in mind, Fluxys Belgium is open to investing, with partners, in developing the network by adding CNG filling stations.

Trucks for long-distance road transport: LNG. Fluxys Belgium is working with a haulage company on a pilot project to build a first LNG filling station. The filling station could be supplied directly from Zeebrugge LNG terminal, where LNG truck loading already takes place.

Fluxys Belgium also supports the Belgian Blue Cargo project to build LNG filling stations at the ports of Zeebrugge, Ghent and Antwerp. Blue Cargo is an initiative of Drive Systems, backed by Volvo Trucks, Flanders Smart Hub and VITO. Blue Cargo is part of the European Blue Corridor project, which aims to help create corridors with LNG filling stations for supplying fuel to long-distance trucks.

Ships: LNG. Thanks to the low emission values of natural gas, LNG will be a particularly good alternative fuel for ships when stricter sulphur emission standards come into force for the Channel, the North Sea and the Baltic Sea in 2015. With an eye to LNG's potential as a fuel for transport, Fluxys LNG is putting out all the stops to develop the Zeebrugge LNG terminal into a hub for small-scale LNG: all the ports in Belgium and North-West Europe can be supplied with LNG from Zeebrugge. (see LNG terminalling, p. 48)

1.2.5. Intensive dialogue with customers

With a view to maintaining its sharp focus on its customers and ensuring that the services it offers meet market needs as closely as possible, Fluxys Belgium organised 7 market consultations and 10 information sessions over an 18-month period. This enabled us to develop, in close cooperation with all the relevant market players, our access rules, service programmes and standard agreements for transmission, storage and LNG terminalling in 2012. Following the consultation stage, the documents were submitted to CREG for approval. At the same time, over 75 transmission contracts with customers were adjusted to take account of the new entry/exit model.

1.2.6. Working with the government to enhance security of supply in Belgium

Fluxys Belgium is working with the Federal Public Service Economy to enhance security of supply in Belgium. The 2010 European Regulation on security of supply requires that the competent authorities in the Member States perform a risk assessment on the supply situation, draw up a preventive action plan and develop an emergency plan in cooperation with neighbouring countries.

After the initial risk assessment was published in 2011, the FPS Economy issued its first preventive action plan and national emergency plan for natural gas supply in 2012 and submitted them to the European Commission. Fluxys Belgium and FPS economy worked together closely on the national emergency plan in order to develop a coordinated response to emergency situations that could threaten the country's national gas supply. As considerable emphasis is placed on the link between gas and electricity, Fluxys Belgium regularly consults with the transmission system operator for electricity, Elia, to discuss back-up arrangements for Fluxys' facilities, among other things, with a view to securing natural gas supply. In 2013, Fluxys Belgium's work with FPS Economy will focus on enhancing communication in the event of emergencies affecting the supply of gas.

1.2.7. Transmission

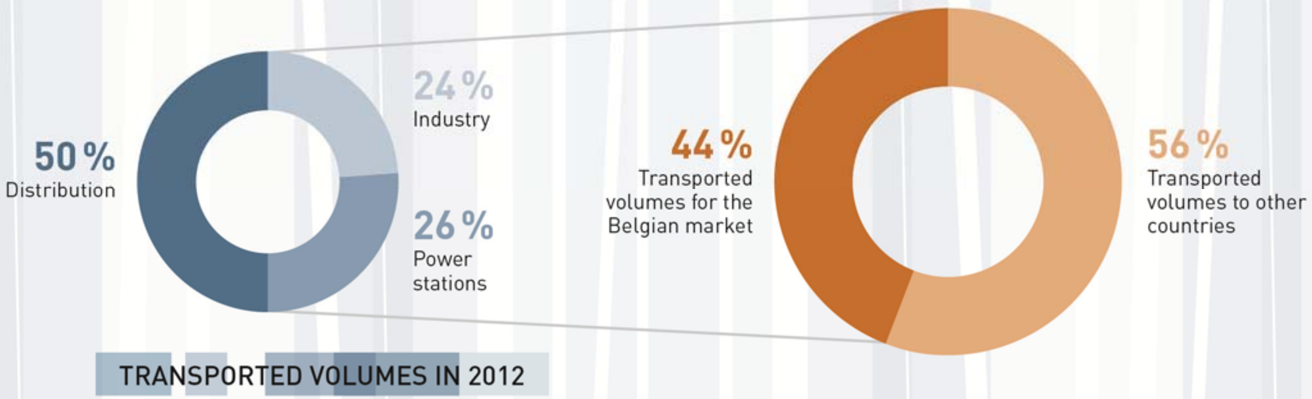
Although, natural gas consumption in the United States and Asia has increased significantly in recent years, natural gas demand in Europe is stagnating. The financial and economic crisis continues to negatively impact natural gas consumption by the industry. More importantly, natural gas's share in the energy mix for power generation is declining in favour of coal for a number of reasons, a development that is at odds with Europe's climate targets.

For instance, coal prices are lower than natural gas prices, partly because the United States is exporting large quantities of cheap coal. The United States is indeed facing a coal surplus as power generation has made a massive shift from coal to natural gas. Another consideration is the issue of whether current gas-fired electricity prices are high enough to encourage investments in new projects for power generation. Finally, power generation from renewable sources is given the priority in the merit order since it is cheaper, but it is characterized by a high intermittency. As a consequence, gas-fired power plants are no longer the first choice for power generation.

Belgium followed the general European trend in 2012, with a substantial reduction in natural gas use for power generation. In July 2012, the federal government decided that the country's two oldest nuclear power stations, Doel 1 and Doel 2, would close in 2015. The Secretary of State for Energy unveiled an energy plan promoting the use of gas-fired power generation to compensate for the difference, as gas-fired power stations are capable of providing both base load and peak capacity to back up intermittent power generation from renewable sources. The Secretary of State is also working on a scheme to ensure that power generation from natural gas is sufficiently profitable.

More transmission capacity sold, less transmission by pipeline

In 2012, Fluxys Belgium saw an increase in the transmission capacity sold, due to active marketing of new short-term products. Volumes, transmitted however, declined. This fall has had no effects on turnover for 2012 since booked capacities are not affected by developments in gas flows.

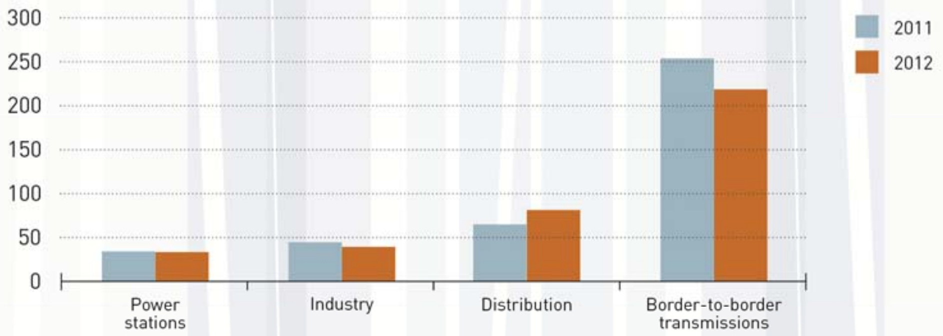


Volumes transmitted for the Belgian market remain stable. Upon closer examination of energy transported for consumption on the Belgian market (186 TWh, compared with 183 TWh in 2011), it is striking that offtake for distribution rose by 11.5%, while offtake by power stations fell by 10.7%.

- Distribution system operators, which supply natural gas to SMEs and households, drew 11.5% more gas from the Fluxys Belgium grid. This increase is mainly a result of higher consumption during the cold snaps in February and December 2012.
- The power stations consumed 10.7% less natural gas, primarily due to the combined effect of low coal prices, the minimum price for CO_2 emission allowances and the negative spark spread for natural gas (see box), all of which put power generation with coal at an advantage in Europe. At the same time, renewable energy's share in the energy mix grew and more electricity was imported from abroad.
- Industrial companies directly connected to the Fluxys Belgium grid consumed slightly less natural gas in 2012 than in 2011 (down 3.3%).

Volumes transmitted to other countries. At 233 TWh, volumes transmitted abroad were down 12.8% in 2012 compared to 2011. There are various factors behind this decrease:

- the continued impact of the economic crisis on natural gas consumption in Europe;
- the negative spark spread for power generation with natural gas, which, of course, is affecting neighbouring countries too;
- the price convergence between Northern Europe's spot markets, as a result of greater market liquidity. Price convergence results in less transmission capacity being needed between spot markets;
- increased use of loading services at Zeebrugge LNG terminal to supply LNG to the Asian market: high LNG prices on the Asian market mean that less LNG is being regasified for further transmission to neighbouring countries.



EVOLUTION IN THE PER PIPELINE TRANSPORTED VOLUMES IN BELGIUM (IN TWH)

February cold snap: absolute records for natural gas 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 markets. These unprecedented records of consumption were primarily attributable to offtake by public distributions and natural gas-fired power stations. During the cold snap, Fluxys Belgium transmitted on the record days 10 times more gas for public distributions than on the hottest days of 2012.

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 Belgium made a substantial contribution to security of supply by meeting the neighbouring contries' need for gas, including the volumes needed for power generation.

First European network code

In the framework of the third package of European legislative measures on energy, Europe's transmission system operators are working on harmonised rules – known as the network codes – in 12 different areas. They are working together as part of the European Network of Transmission System Operators for Gas (ENTSOG). Each of the network codes is based on framework guidelines compiled by the Agency for the Cooperation of Energy Regulators (ACER). A network code gains force of law as soon as it is approved by the relevant European bodies.

Capacity allocation mechanism. In 2012, ENTSOG published its first Network Code, which deals with capacity allocation and sets out the rules and mechanism for allocation of capacity which TSOs have to abide by. This Network Code is expected to come into force in mid-2013. Among other things, the network code specifies that all capacity at interconnection points must be sold through auctions. In this respect, Fluxys Belgium and a number of other TSOs have cooperated proactively by setting up the Prisma platform (see also p. 33).

Balancing, interoperability and tariffs. The network code on balancing transmission grids is expected to be approved in late 2013. In the meantime, ENTSOG is developing network codes on interoperability and tariff methodology.

1.2.8. Storage

Storage facilities like Fluxys Belgium's facility at Loenhout are, in principle, filled in summer and emptied in winter. Storage enables market players to handle seasonal variations in both demand for natural gas and in gas prices. We have to state that the European storage business is currently going through a difficult period.

It is not only the physical need for storage that is declining: the economic need for storage is dwindling too. On the one hand, the stagnating natural gas demand does not trigger an additional need for storage. On the other hand, the range of available storage solutions is growing and other flexible alternatives are becoming available to the market. For instance, LNG terminals can act as flexibility sources, as is the case for gas trading points thanks to better connections between gas markets. Besides, when the supply available on the markets is relatively abundant, as has been the case since the start of the financial and economic crisis, the difference between summer and winter gas prices is too narrow on the gas trading points.

Against that backdrop, the Loenhout storage facility is facing fierce competition when it comes to marketing its annual storage capacity. The situation is better for long-term storage contracts: market players with long-term natural gas contracts will find that the tariffs and services offered by the Loenhout storage facility are very competitive to cover for their risks.

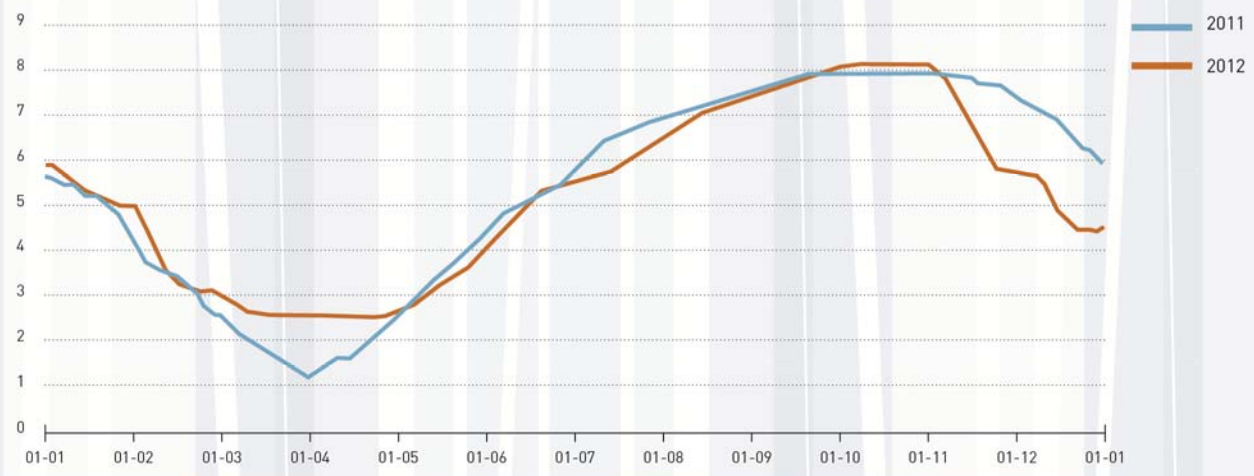
In order to benefit from the specific structure of market demand, Fluxys Belgium has capitalised on the Gas Act amendments relating to storage to market a substantial share of the Loenhout storage facility's capacity through longer-term contracts. In late 2012, when new annual storage contracts were being sold, there was not enough demand for annual contracts in 2013, so an additional long-term capacity package has been proposed to the market in early 2013.

Shifts in the usage curve

During the cold snap in February 2012, grid users withdrew far greater volumes of natural gas from the storage facility than in the same period of 2011 in order to continue to guarantee supply to their end customers. The Loenhout storage facility set some records in terms of send-out flows for several consecutive days over that period.

From March to mid-April 2012, far less natural gas was withdrawn from Loenhout than in the same period of 2011. Using natural gas from the spot market as a flexible source was at that time more advantageous to market players than using natural gas from storage: the spot price for natural gas was lower than the cost of natural gas from storage and there was also a negative spark spread for power generation over that period.

In November and December 2012, consumption of natural gas from Loenhout picked up rapidly, with more being taken from the facility than in the same period of 2011. This was a consequence of the combined effect of lower ambient temperatures (resulting in higher offtake by public distributions and power stations) and increased export to the United Kingdom, where demand was higher due to low LNG supplies. Since 2012, storage users have been able to withdraw natural gas from the storage facility and to transmit it to other countries, which they were not able to do before (see also p. 46).



EVOLUTION IN THE VOLUMES OF NATURAL GAS STORED IN THE UNDERGROUND STORAGE IN LOENHOUT (IN TWH)

Capacity offer tailored to market needs

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, starting in storage year 2012-2013, 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.

The relevant regulatory documents were adapted in accordance with the legislation. Storage capacity at Loenhout was divided into three blocks:

- Starting in storage year 2012, 400 million cubic metres were booked for long-term storage (3 to 10 years). All long-term storage capacity was sold, for the maximum period of 10 years, through a subscription window that closed in late December 2011.
- Starting in storage year 2013, 100 million cubic metres will be used exclusively for medium-term storage (2-3 years). All medium-term capacity for the period beginning

15 April 2013 was sold during a subscription window organised in October and November 2012.

- 280 million cubic metres were booked for short-term (annual) storage in storage year 2012-2013. It was all sold through auctions in early January 2012. 180 million cubic metres are available for short-term storage in storage year 2013-2014, and half of it was sold through auctions in November 2012.

In view of the difficult competitive position of annual storage capacity, Fluxys Belgium launched a market consultation on the contractual and regulatory documents governing storage services in January 2013. The company suggested integrating medium-term storage into long-term storage so that there would only be two terms for storage contracts at Loenhout, namely 1 year or 2-10 years. It also proposed moving away from a fixed capacity allocation for the two types of storage. Fluxys Belgium's proposed amendments to subscription of primary capacity will enable it to better respond to market demand and ensure that its storage site can be used more flexibly. In February 2013, a subscription window was organised to sell the capacity remaining after the auction of annual storage services for 2013-2014 through long-term contracts (since the demand for such product proved insufficient). In this context, tailor-made services have been developed in order to better meet the market requirements.

1.2.9. LNG-terminalling

The 2011 Fukushima nuclear disaster together with rapid industrial development in China, India and South Korea, have brought about substantially higher LNG prices in Asia, with the result that the Asian market has been attracting considerable volumes of additional LNG. Part of the LNG being sent to Asia is LNG that had originally been contracted for the United States, but was diverted as a massive switchover to shale gas caused natural gas prices in the US to drop as from 2010.

Another share of the additional LNG volumes being sent to Asia comes from Europe, where gas prices are lower. This tendency became even more pronounced in 2012 due to low demand for natural gas in Europe: the economic climate is continuing to weigh and the trend towards coal-fired generation in power stations persisted.

A total volume of around 2.6 million tonnes of LNG was loaded for transport to other markets at Europe's LNG terminals in 2012, compared with 840,000 tonnes in 2011. Asia was not the only destination served: about a third of the LNG was transported to South America and other European markets where LNG prices were higher.

Given the current context, many LNG terminals in Western Europe were under-utilised. By contrast, Zeebrugge LNG terminal, which marked a quarter-century of operation with a very strong track record for safety, responded flexibly to LNG market dynamics by loading some 25 LNG carriers – an all-time high – for transport to other markets.

Zeebrugge LNG terminal proactively launched loading services for its customers in 2008. With an eye to the market of the future, it took a number of important steps in 2012 with a view to developing the terminal as a hub for small scale LNG use: this niche market is only just emerging at present, but the low emission values associated with natural gas mean that it has great potential for the future.

Very successful year for loading services

46 LNG carriers unloaded. 46 LNG carriers unloaded at Zeebrugge in 2012, compared with 70 in 2011. Since all the capacity at the terminal is subscribed through long-term contracts, the number of unloadings has not affected the group's financial results.

The 46 carriers unloaded a total of 2.9 million tonnes of LNG from Ras Laffan, Qatar. 8 of the 46 ships were Q-Flex carriers, among the biggest LNG carriers in the world. A total of 1,314 ships unloaded at the LNG terminal between the start of commercial activities in 1987 and the end of 2012.

New record: 25 LNG carriers loaded. High LNG prices in Asia drove up demand for loading services in 2012: 25 LNG carriers berthed for loading, compared with 10 the previous year. Some 1.3 million tonnes of LNG were loaded at the LNG terminal.

The lower number of unloadings together with the record number of loadings resulted in a 57% drop in the volume of natural gas injected into the Fluxys Belgium grid at the LNG terminal.

Truck loading a success. Since June 2010, trucks have been able to load at the Zeebrugge LNG terminal, and a number of test loadings have taken place as well. A total of 316 transports were carried out in 2012, which represents a considerable increase in comparison with previous years. Most of the LNG was bound for the UK, the Netherlands, Germany and Poland, where the market for LNG as a fuel in the transport sector is strongly developing.

Five extra slots sold

Five extra slots sold. 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 Belgium may offer additional slots on the primary market during the available period. In 2012, 19 additional slots were created and offered to the market, and 5 of them were sold as bundled slots.

Six slots sold on the secondary market. 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 2012, 44 slots were offered for sale on the secondary market, and 6 of them were sold as bundled slots.

Additional LNG buffer storage

2012 saw the sale of additional long-term LNG buffer storage for the period beginning in 2015. A total of 8,000 cubic metres of LNG storage capacity was sold.

1.2.10. Investments

ENTSOG: biennial 10-year investment plan

The European Network of Transmission System Operators for Gas (ENTSOG), in which Fluxys Belgium plays a leading role, is responsible for publishing a coordinated 10-year investment plan and has been tasked with developing network codes in 12 different areas (see p. 43).

In early 2013, ENTSOG published its biennial ten-year investment plan for the 2013-2022 period. The most significant conclusion was that the countries of Eastern Europe are too dependent on supply from Russian sources. ENTSOG's investment plan has now been submitted to the market players for consultation, with the final version expected in late 2013.

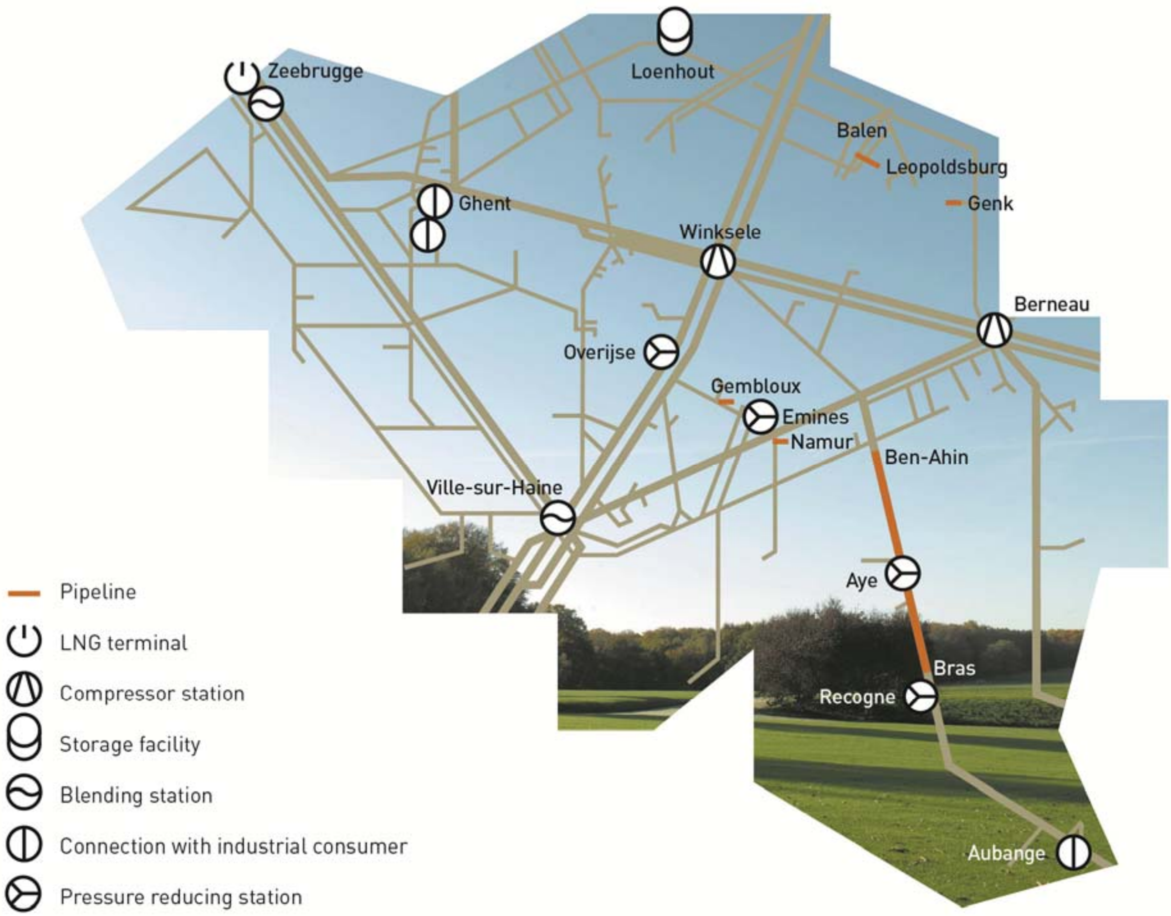
Fluxys Belgium: indicative investment programme 2013-2022

Fluxys Belgium's indicative investment programme 2013-2022 currently amounts to around €1.2 billion The programme contributes to, and also takes into account the Ten-Year Network Development Plan drawn up at European level by ENTSOG, based on analyses made by the relevant transmission system operators. Fluxys Belgium's 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. Moreover, the programme has been developed cautiously enough to take into account the uncertainties around the future development of the natural gas market, especially in terms of power generation, the upsurge in short-term contracts and the instability of capacity reservations. In the current context, long-term reservations remain an important factor when financing major cross-border projects.
The indicative investment programme is based on the following key principles:

- 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 a well-functioning market;
- making new capacity available to cover the expected evolution of transmission capacity in Belgium;

- strengthening the role of the Fluxys Belgium grid as a crossroads in North-West Europe by making additional border-to-border capacity available as agreed with system users in the framework of long-term contracts;
- systematically reducing the environmental impact of the company's activities

Our investment projects in Belgium in 2012



Laying of new pipelines

Increased transmission capacity between Ben-Ahin and Bras (51 km). To meet a to rising natural gas demand among households and SMEs in Luxembourg Province, Fluxys Belgium is enhancing its transmission axis towards the Grand Duchy of Luxembourg by replacing the current pipeline between Ben-Ahin and Bras with a new pipeline with a larger diameter. Fluxys Belgium built around 10 km of this new pipeline in 2012 and expects to finish off the project in 2013.

Balen-Leopoldsburg (2 km). The low-calorific gas grids are gradually being converted to high-calorific natural gas ones. Distribution system operator Inter-Energa, based in Leopoldsburg in the Campine region of Limburg, will be the first to switch over. With that in mind, Fluxys Belgium built a branch extension on the Lommel-Ham pipeline for transmission of high-calorific gas between Balen and Leopoldsburg.

Pipelines relocated in Genk industrial district (2 km). Two pipelines supplying industrial consumers were moved a distance of 2.2 km in Genk's Henry Fordlaan. Both pipelines had to be relocated due to road works: two dangerous crossroads are being removed and a roundabout and a cycle tunnel are being built.

Pipelines replaced at Gembloux and Namur. Fluxys Belgium replaced a section of its pipeline between Grand Masnil and Gembloux by a new pipeline with a larger diameter. It also replaced the pipeline between two supply points for Namur with a wider pipeline. These improvements were made with a view to increasing transmission capacity and better meeting the region's gas needs, particularly those of the towns of Gembloux and Namur.

Renovating the grid. Fluxys Belgium has a programme to ensure that all of its infrastructure will continue to meet high safety and quality standards in the long term. One of the company's findings was that pipes will soon need to be replaced in some locations, that the grid will need to be restructured in some locations and that finally some pipeline sections may be decommissioned. With that in mind, Fluxys Belgium permanently decommissioned 115 kilometres of unused pipeline in 2012. Last year also saw the start of preparations to replace 11 kilometres of pipeline in Ravels and Oud-Turnhout.
Fluxys Belgium also launched its project to restructure the grid in and around Ghent in 2012: works there will involve replacing existing pipeline sections by new pipes with a larger diameter, decommissioning some pipeline sections and re-routing others.

Works at compressor stations

Additional facilities at Berneau. Since 2010, work has been underway on a project to build additional compressor facilities at the compressor station in Berneau. These upgrade works are intended to extend the options for combining gas flows on the East/West and North/South axes and also allow the transition to an entry/exit system and the introduction of a virtual trading point ZTP. The new facilities have now been connected to the existing infrastructure. Before being commissioned, they were put through a battery of rigorous tests to guarantee their integrity and performance, as per our standard procedure for infrastructure commissioning.

Additional facilities at 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 domestic market and border-to-border transmission, it was decided to build compressor facilities in Winksele for the East/West transmission axis as well. By doing so, capacity can be enhanced on both the East/West and North/South transmission axes. The new facilities were completed in 2012 and, like the facilities in Berneau, are undergoing stringent testing.

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), which uses the heat of the seawater to regasify LNG into natural gas. This will considerably reduce energy consumption and substantially lower carbon and nitrogen oxide emissions. Fluxys Belgium started construction works in late 2010, and the aim is to commission the ORV in spring 2013.

Second jetty at Zeebrugge LNG terminal. A second jetty for loading and unloading LNG carriers is currently under construction at the LNG terminal. Ships with capacities of 2,000 to 217,000 cubic metres of LNG will be able to berth there, meaning it will be possible to receive both the smallest and the biggest LNG carriers at Zeebrugge. Now that the Zeebrugge Port Authority has completed work on the underwater structure, Fluxys LNG has begun building the superstructure. The jetty will be commissioned in 2015. The preliminary studies for this project are co-financed by the European Union (Trans-European Networks – TEN).

Gas quality adjustment projects

LIN facility in Zeebrugge. The growing diversity of both natural gas sources and routes between sources and end consumers on the North-West European market entails a wide variation in natural gas composition. To ensure compliance with the specifications agreed with grid users, the gas quality can be adjusted by adding nitrogen. Fluxys Belgium already offers this service at the LNG terminal, but it also plans a nitrogen injection point in the Zeebrugge region.

To this end, the liquid nitrogen (LIN) storage tank at the former peak-shaving facility will be brought back into service. A new unloading point for trucks has been build alongside the tank, as have new pumping and regasification facilities allowing to regasify the liquid nitrogen. A 4.5-km pipeline was laid to transport the regasified nitrogen between the LIN facility and the injection point. New blending facilities have been built at the injection point in order to blend the nitrogen with natural gas, within set limits. According to the current schedule, the new installation should be commissioned in mid-2013.

Works on Ville-sur-Haine blending station. Adjustment works are currently ongoing at Ville-sur-Haine blending station, located where the pipelines between Poppel (on the Belgian-Dutch border) and Blaregnies (on the Belgian-French border) cross the pipelines between 's-Gravenvoeren (on the Belgian-Dutch border) and Blaregnies on the one hand and Zeebrugge and Blaregnies on the other hand. The aim of the project is to be able to inject high-calorific gas into low-calorific gas. Among other things, the blending station will be equipped with a new measuring point to analyse the quality of the gas mix and the facility's control system will be adapted.

The two pipelines between Poppel and Blaregnies carry low-calorific gas, while the 's-Gravenvoeren – Blaregnies and Zeebrugge – Blaregnies pipelines carry high-calorific gas. At the moment, the blending station can only inject L-gas into H-gas resulting in lower calorific value of the H-gas remains within the contractual limits. These works will make it possible to work in the opposite direction as well, thus allowing the enrichment of L-gas with H-gas. The project is scheduled for completion in mid-2013.

Completion of works at the Loenhout storage facility

A number of expansion projects have been carried out at the Loenhout storage facility in recent years. Over a four-year period, the storage capacity was gradually expanded by 15% to reach 700 million cubic metres of working storage capacity.

Developments in the industrial segment

At the end of 2012, the Fluxys grid comprised 242 direct connections with industrial end users, power stations and cogeneration facilities. During the course of the year, three new connections were added:

- Socogetra, a company with construction and road work activities, was connected in Aubagne;
- a cogeneration facility was connected at the site of Alcobiofuel (a bioethanol producer) in Ghent;
- a cogeneration facility was connected at the site of Kronos Europe (a manufacturer of titanium dioxide pigments) in Ghent.

Amongst the industrial customers connected to the Fluxys grid, a total of 39 switched natural gas supplier in 2012.

Pressure-reducing stations for distribution system operators

Mobile pressure-reducing station connected. In May 2012, new heating boilers were installed at the pressure-reducing stations at Emines, near Namur, and Recogne, in the province of Luxembourg as the boilers at those stations had reached the end of their useful lives. With a view to guaranteeing natural gas supply to the distribution networks throughout the entire period of the works, the company used a mobile pressure-reducing station for the very first time. A mobile pressure-reducing station is a container measuring 3 metres by 4 metres that has all the equipment required to lower the natural gas pressure.

Capacity in Aye more than doubled. Capacity at Aye pressure-reducing station near Marche-en-Famenne was more than doubled in response to growing demand for gas supply in the Marche-en-Famenne area. This required a new building with a double pressure-reducting line, a double metering line and three rooms for the electrical cabinets, the heating boiler and the odorisation instruments.

Capacity enhanced for the distribution system operator in Walloon Brabant. The capacity of the Overijse pressure-reducing station was increased, primarily to supply the population of Wavre and Court-Saint-Etienne. An additional pipeline has been laid in the pressure reducing station and has been connected to the existing infrastructure.

1.2.11. Research and development

Aims

Fluxys Belgium's research and development policy aims to make instruments available wchich will help the company consolidate and enhance its activities. It focuses on the following areas:

- acquiring and improving expertise in a number of technical fields;
- building and maintaining a network of contacts, among others academic;
- supporting the development of our activities through applied studies;
- maintaining and further developing our company as a green company.

Our approach

Fluxys Belgium 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.

In the field of experimental development, Fluxys Belgium is involved in a range of projects and programmes which aim at improving or producing new materials, equipment, products and procedures that contribute to service excellence. The company is undertaking experimental development work in grid unification, stock and needs management and measuring procedures. In addition to the partners listed above, Fluxys Belgium also collaborates with Belgian and European universities at some project stages.

Metrology

Ultrasonic measuring instruments. Fluxys Belgium has been carrying out tests with ultrasonic meters since 2009 to determine whether they could be a successor to conventional turbine meters which are used to measure gas flows in the pipelines. Ultrasonic meters require almost no maintenance and cause less pressure loss. In early 2012, Fluxys Belgium decided to equip the Blaregnies border station with ultrasonic meters placed in series with turbine meters. The ultrasonic meters were fitted in early 2013, once the required permits were obtained, and tests are now being performed.

Laser detection of natural gas. In 2011, Fluxys carried out tests using a laser molecular measuring system to detect and measure natural gas released into the air. The detection equipment is fitted to a helicopter which flies over the pipeline route. The tests have proved the technology to be extremely accurate, and consequently the system was added in 2012 to the range of gas detection measures already in use on the field.

Safe operation of pipelines and facilities

Fluxys Belgium is currently developing a method for determining the theoretical risk of integrity deterioration 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.

Fluxys Belgium also embarked on a multi-year research programme to examine the state of pipelines that cannot be inspected using an instrumented pig.

Improving oil conductibility. Fluxys Belgium carried out a study on absorption of additives to improve oil conductibility. The aim is to enhance the conductibility of various types of oil stored in tanks. The project, which is carried out in cooperation with Gasunie, is currently in a testing phase, with a solution due to be developed in 2013.

Shock detection. Fluxys Belgium's Pit-Stop programme (Early Detection of Pipeline Integrity Threats using a Smart Fibre-Optic Surveillance System) aims to develop a system for detecting third-party works near pipelines. The system uses fibre optic cables to record vibrations, the measurements of which being checked in a database to determine whether or not an excavator is the source of the vibration. The same technology can also be used to tell whether a pipeline has been hit.

Study and inspection of decommissioned facilities. Fluxys Belgium 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 2012, Fluxys Belgium began a project to inspect two cryogenic storage tanks at the decommissioned peak-shaving plant at Dudzele to check the condition of the material after several years of use. Cryogenic tanks store products at very low temperatures: at the peak-shaving plant, liquefied natural gas was kept in storage tanks at a temperature of -162°C.

Facility design

Improving the design of pressure-reducing stations. Fluxys Belgium has come up with a completely new concept for the design and technology of these stations with a view to reducing CH_4 (methane) emissions, cutting down noise and improving safety. Studies focused on a number of areas, namely improvement of the regulating cabinets, which constantly emit methane (water bath heater, development of resistant regulation valves for seasonal pressure and flow variations) and the reduction of the noise produced by the stations.

Cutting noise levels. In 2012, Fluxys began analysing the noise sources and vibration signatures of turbines and pipelines with a view to reducing the amount of noise produced by the turbines. The company measured various vibration signatures and monitored the frequency spectrum evolution in 2012. The next stage of the project will entail researching products that make it possible to act on the recommendations made by Fluxys.

Green gas

Findings of the green gas research group. Fluxys Belgium set up a research group on green gas in 2012. To begin with, the group worked with an external consultant to determine which research projects would have the greatest added value. Additional action was taken on four of the projects:

- Fluxys Belgium is actively seeking partners to help develop LNG as a shipping fuel by providing sufficient buffer and supply capacity;
- the company is looking into launching a pilot project on LNG as a fuel for trucks;
- Fluxys Belgium will continue to promote CNG (Compressed Natural Gas) as a fuel for ordinary vehicles, ideally in cooperation with taxi or transport companies;
- LNG is already being loaded into trucks at Fluxys Belgium's Zeebrugge LNG terminal and transported to industrial customers. Fluxys Belgium is investigating the possibility to expand this activity by building more loading stations.

In 2013, five additional projects will be studied to determine their feasibility and added value. These are:

- the promotion of natural gas as an alternative to fuel oil in homes and small businesses;
- further support for biogas. Fluxys Belgium is taking part in a study examining the injection of biogas into the natural gas pipeline network. Biogas is gas produced from waste which has many similarities to natural gas. The study aims to determine what composition the gas must have in order to be fit for injection 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;
- research into emissions trading for natural gas, in combination with Power to Gas,
- continued research into and promotion of micro and mini cogeneration facilities for use by households and SMEs;

- research into the potential of natural gas-powered heat pumps as an alternative to electric heat pumps.

North Sea countries research Power to Gas. Fluxys Belgium is involved in a platform to foster Power to Gas in the North Sea countries. Power to Gas is a technology to convert surplus electricity produced by wind turbines, for instance, into hydrogen in off-peak hours so that the energy is not wasted. When electricity needs are higher, the hydrogen can then be converted into methane. The platform aims to bring together all the North Sea countries to monitor the technology and exchange best practices.

Fluxys Belgium is contributing to a European study to determine the allowable hydrogen concentration in natural gas pipelines. At present, the Member States of the EU apply different limits, which will be streamlined through the study.

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 Belgium is helping to develop international protocols and standards regarding electronic data exchange between natural gas companies.
- As a member of ENTSOG, Fluxys Belgium is contributing to the creation of a joint transparency platform with a view to exchanging data related to grid management and coordinating grid access information.

ICT applications for customers

In 2012, Fluxys Belgium further developed and improved ICT applications for customers.

- The most important project was adapting the various operational and commercial systems to the entry/exit model. Following a comprehensive testing phase, all applications got off to a smooth start in October 2012.
- In 2012, a new project was launched to connect the Fluxys Belgium ICT system to the Prisma European Capacity Platform, a shared capacity booking platform that enables all European transmission system operators to commercialise standardised capacity products. Day-ahead trading on the platform is due to begin in mid-2013.

1.3. Financial situation

1.3.1. Fluxys Belgium group – 2012 results (IFRS)

Financial year 2011 saw the settlement of the acquisition of transit activities (Distrigas & C°). This affected various items of the income statement but did not impact Fluxys Belgium's net profit.

Consolidation scope

The consolidation scope did not change in 2012. However, at the end of the year the group decided to sell its subsidiary Fluxys & Co, which mainly manages an LNG carrier. That company's assets and liabilities were therefore reclassified as assets and liabilities held for sale. Fluxys & Co was sold on 18 January 2013 for €70 million. Its contribution to 2012 net profit for the period was €3.6 million.

Summary consolidated income statement

Summary consolidated income statement		in thousands of €
	31-12-2012	31-12-2011
Operating revenue	626,306	709,857
Other operating revenue	26,744	11,427
Consumables, merchandise and supplies used	-44,365	-39,128
Miscellaneous goods and services	-168,609	-139,653
Employee expenses	-125,368	-131,028
Other operating expenses	-7,720	-9,174
Net depreciation and amortisation	-142,830	-128,698
Net provisions	23,395	184,477
Impairment losses	-811	-233,680
Profit from continuing operations	**186,742**	**224,400**
Change in the fair value of financial instruments	3,400	1,477
Financial income	11,224	13,838
Finance expenses	-60,627	-52,944
Profit from continuing operations after net financial result	**140,739**	**186,771**
Income tax expense	-51,898	-64,692
Net profit for the period	**88,841**	**122,079**
Fluxys Belgium share	88,841	122,078
Non-controlling interests	0	1
Basic earnings per share attributable to the parent company's shareholders in €	1.2644	173.7
Diluted earnings per share attributable to the parent company's shareholders in €	1.2644	173.7

** The presentation of the basic and diluted earnings per share was changed following the decision of the General Meeting of 8 May 2012 to split the share into 100.*

Operating revenue. Operating revenue for 2012 was €626.3 million, compared with €709.9 million in 2011, a drop of €83.6 million.

- Revenue from regulated activities, namely natural gas transmission and storage and terminalling services for liquefied natural gas in Belgium, was €595.4 million, down €86 million compared with the previous period. This was owing firstly to the settlement regarding Distrigas & C°, which had a positive influence on operating revenue in 2011, and secondly the decreasing OLOs during 2012. Although customers subscribed more capacity than in the previous year, the regulated allowed turnover (revenue cap) was lower due to the impact of the OLOs on the tariff settlements.

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

- Revenue from non-regulated activities was €30.9 million, an increase of €2.5 million compared with the previous year.

Other operating revenue includes the insurance payments covering part of the compensation awarded to victims of the Ghislenghien accident.

Consolidated net profit. The consolidated net profit for the period was €88.8 million, a decrease of €33.3 million compared to 2011. The net profit from regulated activities is primarily determined by the invested equity, the financial structure and the interest rates (OLOs):

- The pay-out of €421.6 million of available reserves in 2012 caused a decrease in equity, which in turn translates to a €5.6 million reduction in operating profit. However, the return on the remaining equity has risen thanks to the improved financial structure, which is now more in line with the regulatory framework.
- The interest rates used as a reference for calculating the allowed return on the regulated assets are the 10-year linear bonds issued by the Belgian state (OLOs). These interest rates hit a historic low in 2012. By way of comparison, the average 10-year OLO rate for the past five years was 4%, whereas the average rate for 2012 was just under 3%, leading to a €23.7 million drop in the regulated net profit.

Summary consolidated balance sheet

Assets	in thousands of €	
	31-12-2012	31-12-2011
I. Non-current assets	**2,492,625**	**2,610,631**
Property, plant and equipment	2,416,548	2,528,848
Intangible assets	17,024	15,263
Other financial assets	3,962	42
Financial lease receivables	22,850	25,303
Loans and receivables	32,241	41,175
II. Current assets	**484,598**	**617,872**
Inventories	51,208	43,335
Other current financial assets	0	25,600
Financial lease receivables	2,453	2,067
Current tax receivables	1,064	2,673
Trade and other receivables	50,515	90,784
Short-term investments	48,541	41,984
Cash and cash equivalents	213,480	405,622
Other current assets	5,154	5,807
Assets held for sale	112,183	0
Total assets	**2,977,223**	**3,228,503**

Non-current assets. The decrease in 'Property, plant and equipment' is mainly due to the reclassification of Fluxys & Co's assets as 'Assets held for sale' (€79.3 million). In addition, the investments made in 2012 (€106.4 million) were less than the depreciation (€133.9 million). Most of the investments were in compressor stations (€27.9 million), laying transmission pipelines (€27.6 million), expanding storage capacity at Loenhout (€10.6 million) and continuing work on building an Open Rack Vaporiser (€11.4 million) at the Zeebrugge LNG terminal.

Current assets. The other current financial assets related to Fluxys & Co and were transferred to 'Assets held for sale', as noted above. The decrease in other receivables is owing to the fact that the shareholders' guarantee was used as a result of the final decision regarding the value of Distrigas & C°'s border-to-border transmission activities (€68 million), as reported in the 2011 annual results. That decrease was partially offset by the increase in outstanding trade receivables as a result of the introduction of the new transmission contract.

Short-term investments, cash and cash equivalents fell by a total of €185.6 million, mainly due to the pay-out of reserves and the investments made.

Equity and liabilities		in thousands of €
	31-12-2012	31-12-2011
I. Equity	**828,062**	**1,362,816**
Equity attributable to the parent company's shareholders	828,062	1,362,815
Share capital and share premiums	60,310	60,310
Reserves and retained earnings	767,752	1,302,505
Non-controlling interests	0	1
II. Non-current liabilities	**1,869,401**	**1,540,656**
Interest-bearing liabilities	1,458,093	1,058,341
Provisions	6,884	24,423
Provisions for employee benefits	47,686	54,443
Other non-current financial liabilities	990	0
Deferred tax liabilities	355,748	403,449
III. Current liabilities	**279,760**	**325,031**
Interest-bearing liabilities	91,129	148,903
Provisions	17,869	14,008
Provisions for employee benefits	3,341	3,715
Other current financial liabilities	0	1,989
Current tax payables	49,388	53,264
Trade and other payables	73,912	100,740
Other current liabilities	2,221	2,412
Liabilities associated with assets held for sale	41,900	0
Total equity and liabilities	**2,977,223**	**3,228,503**

Equity. (see 'Statement of changes in equity' below)

Liabilities. The increase in non-current interest-bearing liabilities is mainly the result of the bond issue in April (€350 million). This move meant that the short-term commercial paper did not need to be renewed, bringing about a drop in current interest-bearing liabilities.

Deferred tax was reduced due to the transfer of the part relating to Fluxys & Co to 'Liabilities associated with assets held for sale' (€36.1 million).

Statement of changes in equity

Statement of changes in equity			in thousands of €
	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
CLOSING BALANCE AS AT 31-12-2011	1,362,815	1	1,362,816
1. Comprehensive income for the period	89,188	0	89,188
2. Dividends paid	-623,941	-1	-623,942
CLOSING BALANCE AS AT 31-12-2012	828,062	0	828,062

As at 31 December 2012, equity totalled €828.1 million. The drop of €534.8 million compared with the previous year is the result of the dividends paid out in 2012 (€ -623.9 million, including the pay-out of reserves), which were higher than the comprehensive income for the period (€ +89.2 million). The reduction in equity brings the ratio of equity to borrowed funds more in line with the ratio advocated by the Belgian regulatory framework and has a positive impact on the return on equity, which has increased by more than 25 basis points (gross).

Summary consolidated income statement

Summary consolidated income statement		in thousands of €
	31-12-2012	31-12-2011
Cash at the start of the period*	**447,606**	**577,765**
Cash flows from operating activities (1)	249,370	298,782
Cash flows relating to investing activities (2)	-112,399	-209,937
Cash flows relating to financing activities (3)	-322,556	-219,004
Net increase/decrease in cash	**-185,585**	**-130,159**
Cash at the end of the period*	**262,021**	**447,606**

(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 short-term investments.

Indicators

Indicators	2012	2011
RAB (in million €)		
Transmission	2,224.4	2,148.3
Storage	272.8	262.4
LNG terminalling	309.4	297.7
WACC before taxes (in %)		
Transmission	5.95	7.51
Storage	6.09	7.65
LNG terminalling	5.88	7.43
EBIT (in million €)	186.7	224.4
Net financial debt (in million €)	1.287.2	759.6
ROCE (in %)	5.78	3.29

EBIT: earnings before interest and taxes
ROCE: after-tax operating income divided by capital employed (affected in 2011 by settlement of the tariff disputes for 2008 and 2009)

1.3.2. Fluxys Belgium SA –2012 results (Belgian GAAP)

Fluxys Belgium SA's net profit was €72.6 million, compared with €157.2 million in 2011. The latter included a non-recurring dividend of €66.2 million from the pay-out of available reserves from Fluxys LNG to Fluxys Belgium.

Aside from the abovementioned one-off factor, net profit in 2012 was down on 2011 mainly due to the pay-out of available reserves by Fluxys Belgium in 2012 and the historically low interest rates (OLOs), which negatively affected the regulated return. The net compensation paid to the victims of the Ghislenghien accident also impacted the profit for 2012.

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

Factoring in a profit of €47.8 million carried over from the previous period and a withdrawal from reserves of €42.1 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €112.4 million as a dividend pay-out;
- €3.3 million as reserves not available for distribution;
- €46.8 million as profit to be carried forward.

If the proposed allocation of profits is accepted, the total gross dividend per share for 2012 will be €1.60 (€1.20 net). That amount will be payable as from 22 May 2013.

1.3.3. Outlook 2013

Net profit from regulated activities is primarily determined by the invested equity, the financial structure and the interest rates (OLO). The recurrent dividend will continue to change depending on the development of these three parameters. The reduction in invested equity resulting from the pay-out of reserves in 2012 translates into a drop in revenue. At the same time, return on the remaining equity improved as the financial structure moves towards a balance that is more in line with the regulatory framework. The current volatility of the financial markets does not allow for clear predictions on interest rates, whether positive or negative.

1.3.4. Activities and results of subsidiaries

Fluxys LNG SA (consolidated subsidiary – Fluxys Belgium 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. Fluxys LNG's equity was €225.9 million at 31 December 2012, compared with €235.1 million the previous year. The net profit for financial year 2012 was €13.8 million, compared with €17 million in 2011.

Flux Re (consolidated subsidiary – Fluxys Belgium stake 100%)
Flux Re is a reinsurance company established under Luxembourg law in October 2007. Flux Re's equity was €6.2 million at 31 December 2012, unchanged from the previous year.

Fluxys & Co SA (consolidated subsidiary until 18 January 2013 – Fluxys Belgium stake 99.98%)
Fluxys & Co's equity was €0.1 million at 31 December 2012, unchanged from the previous year. The net profit for financial year 2012 was €3.7 million, compared with €5.5 million in 2011. Fluxys Belgium sold its subsidiary Fluxys & Co in January 2013 (see p. 78).

1.4. Specific information

1.4.1. Name change

On 8 May 2012, the extraordinary general meeting of Fluxys changed the name of the company to Fluxys Belgium. The new name clarifies the area in which the company operates within the Fluxys group. Accordingly, parent company Fluxys G changed its name to Fluxys.

Parent company Fluxys coordinates the strategy and activities of the companies in the Fluxys group:

- Fluxys Belgium is the listed company that handles regulated activities in Belgium: the transmission and storage of natural gas, and terminalling of liquefied natural gas (LNG) through its subsidiary Fluxys LNG;
- Fluxys Europe is the umbrella company for companies active outside Belgium or active in non-regulated activities in Belgium;
- Fluxys Finance centralises the management of cash resources and financing within the Fluxys group.

1.4.2. Structure of Fluxys Belgium capital at 31 December 2012

Shareholder		Class	Number of shares	%
Fluxys	Registered	B	58,523,700	89.97
	Dematerialised	D	1,033,400	
	Registered	D	3,660,000	
Public	Registered	D	27,400	10.03
	Dematerialised	D	7,001,600	
	Bearer	D	17,400 *	
Belgian State	Registered	Golden share	1	-
			70,263,501	

* The bearer shares are 174 unsplit Fluxys BE0974265945 shares.

- 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 NYSE Euronext Brussels.
- Fluxys is a public limited company incorporated under Belgian law. Its registered office is located in Belgium at Avenue des Arts 31, 1040 Brussels. Fluxys' shareholders are Publigas (77.84%), the Caisse de dépôt et placement du Québec (20%), the Federal Participation and Investment Corporation (2.14%) and Fluxys' management and staff (0.02%).
- The Belgian State is represented by the Finance Minister.

Share split. In May 2012, the extraordinary general meeting decided to split the share, with the result that every Fluxys Belgium share, except the golden share held by the Belgian state, was converted into 100 new shares on 9 May 2012. This move increased the accessibility and liquidity of the share.

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

Background

At the time of the acquisition of Distrigas & C°, 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 the annual report for 2011). For that reason, the company's then shareholders SUEZ-Tractebel and Publigas granted Fluxys Belgium an individual guarantee of up to €250 million at the time of the acquisition.

In May 2010, the GDF SUEZ Group withdrew completely from Fluxys Belgium's 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.

When the Caisse de dépôt et placement du Québec began participating in the capital of Fluxys, Fluxys Belgium's parent company, in March 2011, it took over a share of the guarantee proportionate to its participation in the capital, up to a maximum of 20%. On 28 November 2011, the Caisse increased its participation in Fluxys' capital to 20%, so its share of the guarantee also rose to 20%.

The Caisse's assumption of 20% of the guarantee was approved in line with the regulations on transactions between associated companies (Article 524 of the Company Code).

Approval of 2008-2009 settlements by CREG

On 12 January 2012, CREG approved the tariff settlements proposed by Fluxys Belgium 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° has been established. The final value of the Distrigas & C° activities was set at €282 million. Since the conventional price of the border-to-border transmission activities had been set at €350 million in 2009, Fluxys Belgium was able to request the sum of €68 million from the shareholders.

The settlement approved by CREG was established on the basis of Fluxys Belgium's actual expenses and income for 2008 and 2009.

Conclusions of the committee of independent directors. The Board of Directors decided to appoint Ms Monique Lievens and Messrs Walter Nonneman and André Faber, independent directors of Fluxys Belgium, as members of the committee of independent directors. The Board of Directors asked the committee of independent directors to submit an opinion justifying the final valuation of Distrigas & C°'s contracts and assess whether Fluxys Belgium would be negatively impacted.

The committee reached the following conclusion:

> "Having examined the relevant documentation and having assessed the financial consequences of the transaction for the company and its shareholders, the committee believes that the Board of Directors' valuation and request for €68 million under the Distrigas & C° guarantee 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 25 January 2012.
>
> Done at Brussels, 25 January 2012

Walter Nonneman Chairman	Monique Lievens Member	André Farber Member"

Extract from the minutes of the Board of Directors' meeting. Based on the positive opinion issued by the committee of independent directors, the Board of Directors approved the decision to make an initial request for the sum of €68 million from Publigas (80%) and the Caisse (20%) under the Distrigas & C° guarantee.

Following that decision, Fluxys Belgium confirmed to the seller, Distrigas, that the value of the business would not be revised up after application of the method set down in the annex to the purchase/sale contract of 1 July 2008. Distrigas is yet to notify Fluxys Belgium of its agreement with this point.

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 25 January 2012 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 25 January 2012 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.
>
> We would like to point out that the Board of Directors and the committee of independent directors have taken note of previous, detailed reports written by independent financial and legal experts. Therefore, as mentioned in their deliberations and report respectively, they did not consider it necessary to have new independent experts' reports drawn up, as provided for in Article 524(2) of the Company Code.

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, 26 April 2012
Auditor
DELOITTE Company Auditors
SC s.f.d. SCRL
Represented by Jurgen Kesselaers”

1.4.4. Events occurring after year-end: Fluxys Belgium sells its subsidiary Fluxys & Co

On 18 January 2013, Fluxys Belgium sold Fluxys & Co to GDF SUEZ for €70 million. Fluxys & Co is the company that Fluxys Belgium acquired from Distrigas in 2008. It sold border-to-border transmission capacity in the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (VTN) pipelines and held a 49% stake in in the Norwegian partnership Patrederiet BW Gas Fluxys DA, which owns the LNG carrier *BW GDF Suez Boston*. After acquiring Fluxys & Co, Fluxys Belgium integrated the transmission business in the Troll and VTN pipelines into its own infrastructure portfolio, leaving the LNG carrier as Fluxys & Co's only remaining asset.

Since LNG shipping is not a core business of Fluxys Belgium, Distrigas was given a call option on Fluxys & Co in connection with the 2008 acquisition and a put option in respect of GDF SUEZ. The price for exercising both options was set at €70 million. The call option was not exercised, meaning that Fluxys Belgium was able to exercise its put option in respect of GDF SUEZ.

1.5. Corporate Governance Declaration

Fluxys Belgium has adopted the Belgian Corporate Governance Code 2009 ('Code 2009') as its reference code of conduct. Fluxys Belgium 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 in 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 Belgium can be found online:

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

Fluxys Belgium does not apply the rules of the Code 2009 for what concerns the term of mandate of the directors. The members of the board are appointed for a term of 6 years and not 4 years as recommended by the Code 2009.

1.5.1. Developments in 2012

Changes in the composition of the Board of Directors. At the Annual General Meeting of 8 May 2012, the mandate of Claude Grégoire (director) and Henriette Van Caenegem (independent director) were renewed for a period of six years. Their mandates will expire at the Annual General Meeting in 2018. Yves Rheault, who was provisionally co-opted by the Board of Directors on 31 August 2011, was officially elected as a director of Fluxys Belgium at the same meeting. His mandate will expire at the Annual General Meeting in 2017.

On 27 June 2012, the Board of Directors decided to provisionally coopt and to appoint Ludo Kelchtermans as a director to take over the mandate of Paul De fauw, subject to its official election at the next Annual General Meeting. Ludo Kelchtermans' term of office will expire at the Annual General Meeting in 2014.

Changes in the composition of the Executive Board. The meeting of the Board of Directors held on 27 June 2012 decided to appoint Jean-Luc Vandebroek as Chief Financial Officer and member of the Executive Board of Fluxys Belgium with effect from 1 September 2012.

The Board of Directors notes that Michel Vermout's term as Chief Financial Officer and member of the Executive Board of Fluxys Belgium ended on 31 August 2012.

Appointment of government commissioners. Pursuant to the Royal Decree of 14 December 2012, entered into force on 14 January 2013, the mandate of François Fontaine as a representative of the federal government on the Board of Directors of Fluxys Belgium and on that of its subsidiary, Fluxys LNG, was renewed. In addition, Aart Geens was appointed as a Dutch-speaking federal government commissioner in the Board of Directors of Fluxys Belgium by the same Royal Decree and in that of its subsidiary, Fluxys LNG.

Changes to the Articles of Association and the Corporate Governance Charter. Fluxys Belgium's Articles of Association were amended at the Extraordinary General Meeting held on 8 May 2012 to take account of the change in the company's name and the splitting of the Fluxys Belgium share into 100 (see p. 73-74). The Corporate Governance Charter was also amended to take account of the changes to the Articles of Association on May 2012.

1.5.2. Risk management

Internal control and risk management systems

Reference framework. Fluxys Belgium 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 one, to ensure an ever more complete mapping and an effective control of risks.

The Fluxys Risk Charter sets out the organisation, development and administration of the risk management process for Fluxys Belgium 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.

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 Belgium has organised a separation of functions 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 Belgium 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. 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 Belgium 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 Belgium's current cash flows is denominated in currencies other than euro, primarily US dollars. Since Fluxys Belgium presents its consolidated results in euro, a fluctuation in the exchange rate between the euro and these cash flows is liable to affect its 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 term contracts concluded by Fluxys Belgium for the purchase and sale of currencies.

The USD exchange risk was eliminated during Q1 of 2013 since Fluxys & Co, the subsidiary with which said risk and related hedging was connected, was sold on 18 January 2013.

Counterparty risk. Since the restructuring in 2010, cash surpluses belonging to Fluxys Belgium SA have been deposited with Fluxys Finance within the framework of cash pooling agreements. 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 a creditworthy public authority is the majority shareholder or which are underwritten by a creditworthy EU Member State.

Commercial risk

Ex post deviations from reference amounts. The tariffs approved by CREG are based, among other considerations, on an estimate of the capacity quantities Fluxys Belgium will sell to grid users. Given the overall difficult economic situation in Europe, demand for natural gas is falling. As a result, not only are specific projects to install new connections on the Fluxys Belgium's grid being postponed, there is also the possibility that the decline in demand for natural gas may affect the level of capacity required for the Belgian market and for transit.

Decline in long-term commitments. While the number of long-term contracts is dwindling, the number of short-term transmission contracts is on the increase. As a consequence of this trend investments in the grid are no longer being covered via long-term contracts. By monitoring the market closely and organising targeted marketing campaigns on the one hand, and offering competitive tariffs on the other, Fluxys Belgium is reducing that risk as far as possible.

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 Belgium 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 Belgium cannot rule out such a risk completely or, by extension, a potential negative impact on its financial situation.

Retirement scheme

Some Fluxys Belgium employees are covered by a fixed-benefit pension scheme and others by a fixed-contribution pension scheme. The fixed-benefit pension scheme is one 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 fixed-benefit pension scheme's assets is less than the pension liabilities (determined on the basis of actuarial scenarios), Fluxys Belgium 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 Belgium's consolidated accounts. Fluxys Belgium 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 Belgium's financial situation will be smaller in future.

Operational risks

The main activities of Fluxys Belgium are related to transmission and storage of natural gas and LNG terminalling in Zeebrugge. Given the nature of the product Fluxys Belgium transports, the company operates an overall safety and security policy.

Risks linked to the operation of Seveso sites. Fluxys Belgium and Fluxys LNG operated two Seveso sites in 2012: the LNG terminal in Zeebrugge and the underground storage facility in Loenhout. In accordance with Seveso legislation, Fluxys Belgium 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. In 2012, no incidents resulting in a gas leak were 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 Belgium in advance. Fluxys Belgium answers each notification and 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 Belgium also plays an active role in initiatives to keep the notification requirement threshold of the notification duty as low as possible.

Fluxys Belgium 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 Belgium has not been informed.

Fluxys Belgium 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 Belgium works. Damage can also be caused while Fluxys Belgium 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 Belgium's pipelines are covered with an external coating to prevent corrosion. Fluxys Belgium also uses a cathodic protection system to provide additional electrical protection in case of coating defaults. 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 Belgium's environmental policy focuses on systematically reducing that minimal impact further (see Environment, p. 147 for more details on our environmental projects).

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 Belgium 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.

Fluxys Belgium also ensures that emergency solutions are in place to deal with situations in which capacity would not be available on time.

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 Belgium's control such as natural disasters, terrorist attacks, new computer viruses, attempted hacking and other IT security issues. Fluxys Belgium 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 Belgium 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 Belgium's results.

In 2012, Fluxys Belgium replaced its existing transmission model with the entry/exit model which offers greater flexibility for customers but which is more complex from the company's point of view as the operator. To limit the risk of congestion and outages on all or part of the grid, the new model is structured around in-depth analyses and simulations. As such, the transition to the new system has taken place without any significant problems.

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 Belgium or Fluxys LNG. All members of these teams receive special crisis-management training and Fluxys Belgium regularly organises crisis-management drills to ensure responsiveness of the organization 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 Belgium is remunerated on the basis of return on invested capital. In relation to these activities, Fluxys Belgium 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 Belgium's financial situation and results.

Improving efficiency and productivity. In September 2012, CREG approved Fluxys Belgium's tariff proposal for the period 2012-2015. As during the previous regulatory period, this tariff proposal includes an improvement factor by which efficiency and productivity , the system operator is held responsible for any possible non achievement of the improvement target set. In 2012 Fluxys Belgium achieved the targets set as regards improving efficiency and productivity.

Legal risks

In the normal course of its activities, Fluxys Belgium is involved in a number of disputes with third parties; where necessary, legal proceedings are pursued. Fluxys also has insurance cover for any civil liability obligations vis-à-vis third parties.

Insurance

Fluxys Belgium 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 Belgium SA, or are partially self-retained, for example by applying appropriate deductibles.

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 overall 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.

Ghislenghien. On 28 June 2011, Fluxys Belgium was found jointly liable by the Mons Court of Appeal to be for the Ghislenghien disaster on 30 July 2004. Fluxys Belgium decided to appeal in cassation against the ruling because it is of the opinion that the Court of Appeal's ruling contained a radical shift from case law on liability. On 14 November 2012, the Court of Cassation partially overturned the Court of Appeal's ruling on the civil aspects of the case, but upheld the decision that Fluxys Belgium was to be held jointly liable for the disaster from a criminal standpoint.

Out of social considerations, Fluxys Belgium has decided to go ahead and compensate physical persons without waiting for the outcome of the judicial proceedings to be completed. The company will support the costs of said compensation for the portion that is not covered by the intervention of the insurers.

1.5.3. Voting rights and special powers

The Annual General Meeting represents all shareholders irrespective of their share class. It has extensive powers to perform, execute and ratify the company's business dealings. 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 Belgium 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 Belgium's 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 Belgium's 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 Belgium's 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 Belgium's 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 Belgium share or substituting provisions remain in force.

1.5.4. 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.

1.5.5. 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 and who may be dismissed by the Annual General Meeting.

Article 12 of the Articles of Association stipulates that the mandates of retiring 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 retiring / resigning directors. In such cases, the General Meeting shall make the definitive nomination or nominations at its first meeting thereafter. Where a mandate 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 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 the voters present or represented hold at least half of the share capital at the General Meeting. No amendment shall be permitted unless it is passed by three-quarters of the votes.

1.5.6. Issue or buy-back of shares

Fluxys' Articles of Association authorise the General Meeting to acquire the company's own shares in accordance with legal provisions. No decision has been taken by the 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 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 permission 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 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 General Meeting may, in the interests of the company, limit or eliminate the right of preference in compliance with legal provisions.

1.5.7. 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 3 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 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 Strategic 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 until 8 May 2012*
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. Since 2006, he has also been CEO of Infrax CVBA (gas, electricity, telecommunications and drain operator). He was appointed director in December 2003 following nomination by Publigas and his current term of office expired at the Annual General Meeting in May 2012.

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 Strategic 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 2018.

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 alderman in 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.

Ludo Kelchtermans *Director, Chairman of the Audit Committee since 27 June 2012*
Ludo Kelchtermans holds a degree in economics and is an associate/accountant with FoedererDFK, an independent firm of auditors, accountants, tax specialists and consultants. He is also a director of several companies including *Nutsbedrijven Houdstermaatschappij* (NUHMA), and sits on the Audit Committee of Aspiravi. He was appointed director by the Board of Directors on 27 June 2012 following nomination by Publigas and his current term of office will expire at the Annual General Meeting to be held in May 2014.

Patrick Moenaert *Director*
Patrick Moenaert holds a degree in political and social sciences (sociology), is 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.

Yves Rheault *Director*
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 appointed director in May 2012 following nomination by *Caisse de dépôt et placement du Québec* and his current term of office expires at the Annual General Assembly to be held in May 2017.

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*
Hélène Deslauriers studied Law at the University of Montréal and obtained an LL M 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 upon the advice of the relevant advisory committees. Her current term of office expires at the Annual General Meeting to be held in May 2018.

Federal government representatives

François Fontaine
François Fontaine holds degrees in law and tax law and is currently a general advisor with the *Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij* (Federal Holding and Investment Company). 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. Pursuant to the Royal Decree of 14 December 2012, the term of office of François Fontaine as representative of the federal government on the Board of Directors of Fluxys Belgium was renewed.

Aart Geens *(since 14 December 2013)*
Pursuant to the Royal Decree of 14 December 2012, Aart Geens was appointed as a Dutch-speaking federal government commissioner on the Board of Directors of Fluxys Belgium. He holds a degree in history and a Masters in international relations. He is currently an advisor to the policy unit of the Secretary of State for Energy. He was appointed federal government representative by the Secretary of State for Energy on 14 December 2012 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 permanently invited to attend meetings of the Board of Directors.

Secretariat

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

Activity report

Issues examined

The members of the Board seek to adopt decisions by consensus. In 2012, the Board addressed the following main issues:

- the strategy of Fluxys Belgium and Fluxys, including European developments and strategic alliances;
- amendments to rules on corporate governance applicable to Fluxys LNG;
- the 2012 budget;
- the issue of a debenture;
- the ten-year investment programme (2013-2022);
- 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 2011 and the half-yearly financial report as at 30 June 2012;
- drafting interim statements to be released on 8 May and 14 November 2012
- projects and research into projects related to the continuing development of the group's activities in Belgium, including:
    - o the second extension of the Zeebrugge LNG terminal;
    - o the Alveringem-Maldegem pipeline project (in connection with participation in the LNG terminalling project at Dunkirk);
    - o 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 Distrigas & C° dossier;
    - the certification procedure;
- the Fluxys LNG 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 due to the splitting of stock and the change in the company's name;
- amendments to the composition of the Board of Directors and the advisory committees;
- amendments to the composition of the Executive Board;
- approval of the Fluxys Belgium Code of Conduct;
- examination of reports by the Strategy Committee, the Audit Committee, the Appointment and Remuneration Committee and the Corporate Governance Committee;
- assessment of interaction between the Board of Directors and the Executive Board;
- Network Codes drafted by the European Network of Transmission System Operators for Gas (ENTSOG);
- approval of work and supply orders worth over €20 million.

Frequency of meetings and attendance levels

The Board of Directors met six times in 2012. Director attendance at Board meetings was as follows:

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

1.5.8. Committees formed by the Board of Directors

Strategic Committee

Composition of the Strategic Committee

The Strategic 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

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

Federal government representatives acting in an advisory capacity
François Fontaine
Aart Geens *(since 14 January 2013)*

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

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

Issues examined

The Strategic 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 a draft of the decisions to be submitted to the Board of Directors' approval in accordance with the applicable legal, regulatory and statutory provisions. Within this framework, the Strategic Committee also monitors implementation of the Board's decisions. The members of the Strategic Committee seek to adopt decisions by consensus. In 2012, the Strategic Committee addressed the following issues:

- the strategy of Fluxys Belgium and Fluxys, including European developments and strategic alliances;
- the ten-year investment programme (2013-2022);
- HSEQ policy;
- amendments to rules on corporate governance applicable to Fluxys LNG;
- amendments to the composition of the Executive Board;
- the splitting of stock and the change in the company's name;
    - 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 certification procedure.
- the Fluxys LNG tariff proposal;
- the ramifications of the case surrounding the Ghislenghien accident;
- commercial activities and grid operation;
- the company's financial situation;
- Network Codes drafted by the European Network of Transmission System Operators for Gas (ENTSOG)

Frequency of meetings and attendance levels

The Strategic Committee met nine times in 2012. Director's attendance at Strategic Committee meetings in 2012 was as follows:

	Attendance
Claude Grégoire	9 out of 9 meetings
Daniël Termont	9 out of 9 meetings
Sophie Brouhon	8 out of 9 meetings
Caroline De Padt	7 out of 9 meetings
Luc Hujoel	7 out of 9 meetings
Patrick Moenaert	9 out of 9 meetings
Walter Nonneman	9 out of 9 meetings
Yves Rheault	8 out of 9 meetings
Christian Viaene	9 out of 9 meetings

Audit Committee

Composition of the Audit Committee

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

Chairman
Ludo Kelchtermans *since 27 June 2012*
Paul De fauw *until 8 May 2012*

Members
Marianne Basecq*
Sophie Brouhon*
Jean-Jacques Cayeman
André Farber*
Yves Rheault
Henriette Van Caenegem*

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

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

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 (gas, electricity, cable and telecommunications and drain operator), has been Deputy Director of *Vlaamse Energieholding* (Flemish energy holding) since July 2006, and has been a member of the audit committees and risk

[1] 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.

Ludo Kelchtermans:

- degree in economics (econometrics) from the *Katholieke Universiteit Leuven* (Catholic University of Leuven);
- has been an accountant for over 25 years and is currently an associate with Foederer DFK Belgium. Since 2001, he has been a director of NUHMA, a public holding company with stakes in energy companies such as Aspiravi, C-Power and the *Vlaamse Energieholding* (Flemish energy holding, VEH). Through his role as director in these companies, he is also represented on various audit committees.
- Managing Director of NUHMA since September 2012.

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 and formally interim Accounting Director for the *Université Libre de Bruxelles*
- Chairman of the Board of Directors of a Belgian bank, within which he chairs the financial risks monitoring committee;
- Member of a bank audit committee.

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.

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

Issues examined

The Audit Committee was set up within the Board of Directors to assist the latter. This Committee has the powers that the Gas Act confers upon audit committees, as well as other powers that may be conferred upon it by the board of directors. The members of the Audit Committee seek to adopt decisions by consensus. In 2012, the Committee addressed the following main issues:

- the company's accounts as at 31 December 2011 and 30 June 2012 as well as associated press releases (financial part);
- the annual financial report for 2011 and the half-yearly report as at 30 June 2012;
- the principles governing the closing of accounts;
- interim statements released on 8 May and 14 November 2012
- examination of the work of the auditor;
- examining the internal control and risk management system;
- goals, timetable and activities of the internal audit in 2012;
- internal-audit schedule for 2013;
- the technical audit team's audit plan;
- following up on the recommendations made in the wake of the internal audit in 2011;
- assessing the efficacy of the internal audit;
- analysing the risks to which the company is exposed;
- implementation of an 'audit' benchmark.

Frequency of meetings and attendance levels

The Audit Committee met five times in 2012. Director attendance at Audit Committee meetings in 2012 was as follows:

	Attendance
Paul De fauw	2 out of 2 meetings
Ludo Kelchtermans	3 out of 3 meetings
Marianne Basecq	5 out of 5 meetings
Sophie Brouhon	3 out of 5 meetings
Jean-Jacques Cayeman	5 out of 5 meetings
André Farber	4 out of 5 meetings
Yves Rheault	5 out of 5 meetings
Henriette Van Caenegem	4 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. The committee must have the required expertise in remuneration policy.

Chairman
Christian Viaene

Members
Marianne Basecq*
Sophie Brouhon*
Hélène Deslauriers*
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. This Committee has the powers that the Gas Act confers upon appointment and remuneration committees, as well as other powers that may be conferred upon it by the board of directors. The members of the Appointment and Remuneration Committee seek to adopt decisions by consensus. In 2012, the Appointment and Remuneration Committee addressed the following main issues:

- compilation of the draft remuneration report;
- opinion on the appointment of a new director;
- opinion on the reappointment of directors whose term of office had expired;
- opinion on the appointment of a new member of the Executive Board;
- the objectives for the Chairman and members of the Executive Board;
- the recommendation as regards remuneration of the Chairman and members of the Executive Board (fixed and variable remuneration);
- an analysis of the roles of the members of the Executive Board;
- compiling evaluation forms for the Board of Directors;
- the capital increase for the benefit of staff.

Frequency of meetings and attendance levels

The Appointment and Remuneration Committee met four times in 2012. Director attendance at Appointment and Remuneration Committee meetings in 2012 was as follows:

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

Luc Janssens
Monique Lievens*
Henriette Van Caenegem*
Luc Zabeau

Secretariat
Nicolas Daubies, Legal Manager, 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 2012, the Corporate Governance Committee addressed the following main issues:

- preparation of the 2011 annual report by the Corporate Governance Committee drafted on the basis of Article 8/3 § 5, 3° of the Gas Act;
- the certification procedure;
- opinion on the appointment of a new member of the Executive Board;

- opinion on the reappointment of a new independent director whose term of office had expired.

Frequency of meetings and attendance levels

The Corporate Governance Committee met three times in 2012. Director attendance at Corporate Governance Committee meetings in 2012 was as follows:

	Attendance
André Farber	3 out of 3 meetings
Sophie Brouhon	2 out of 3 meetings
Hélène Deslauriers	1 out of 3 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	3 out of 3 meetings

1.5.9. 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 reappointment process.

The evaluation of the Board of Directors took place in 2011.

In 2012, the Board of Directors examined how it interacted with the Executive Board based on a questionnaire completed by each member individually. The questionnaire covered the following subjects:

- evaluating the interaction between non-executive directors and management (information flow, supervision, distribution of roles, policy, etc.);
- the manner in which the Board of Directors monitors the Executive Board, and the monitoring methods used and their efficiency;
- the manner in which the appointment of members of the Executive Board and their contractual relations with the company are discussed;
- the criteria laid down for evaluation of the Executive Board and self-evaluation.

The responses to the questionnaire were analysed and the conclusion was drawn that, overall, the members of the Board of Directors were satisfied to very satisfied with the interaction between the Board of Directors and the Executive Board.

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.

1.5.10. Company management in 2012

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 General Commercial Director
Peter Verhaeghe, member of the Executive Board and General Director Asset Management
Jean-Luc Vandebroek, member of the Executive Board and Chief Financial Officer since 1 September 2012
Michel Vermout, member of the Executive Board and Chief Financial Officer until 1 September 2012

Nicolas Daubies acted as secretary to the Executive Board in 2012.

In addition to the matters submitted to the Board of Directors (see p. 100-101), the Executive Board focussed on the following issues:

- Strategy: evolution of the strategic vision of Fluxys Belgium and define the company objectives within that strategy
- Commercial activities: introduction of the new entry/exit model and the ZTP trading hub, the PRISMA platform, measures to boost growth in market liquidity, provision of LNG terminalling services including LNG re-delivery services, monitoring sales of storage capacity and provision of storage services, keeping track of reference quantities, the open subscription window for expanding the LNG terminal, the coordinated reverse-flow project, possible synergies and cooperation with other system operators in Europe, contacts with industrial end users connected to the Fluxys grid, distribution system operators and operators of neighbouring transmission grids.
- Finance: annual and half-yearly financial results and interim statements, audit policy, drafting and monitoring the budget, managing costs efficiently, the debenture, making preparations for the sale of the subsidiary Fluxys & Co.
- Legal and regulatory framework: changes in the Network Codes drafted by ENTSOG, the certification process for Fluxys Belgium as system operator, market consultations and information sessions on the new regulatory documents, submission of proposed transmission and LNG terminalling tariffs to CREG and their competitiveness.

- Infrastructure and operations: safety of the grid, analysing incidents, near-incidents and occupational accidents, company-wide Soul project to shore up safety culture in the workplace further, following up on the winter peak in February, infrastructure projects and orders in excess of €20 million, acting on policy for decommissioning infrastructure, complying with requirements to obtain the necessary permits, following up on the Ghislenghien issue, bolstering communication with local communities, R&D policy.
- Organisation, human resources and skills management
- Monitoring the activities of subsidiaries
- Preparing 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.

1.5.11. Remuneration report

Board of Directors: procedures, principles and emoluments

Remuneration policy

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

Remuneration level

During financial year 2012, Fluxys Belgium determined the directors' remuneration level in line with the principles outlined in the Articles of Association and the Corporate Governance Charter.

The General Meeting has set the overall annual amount of emoluments for directors and the government representatives 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(s), and an additional share for the Chairman of the Board;
- an additional half share for members of special committees (including for the government representative(s) 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 Belgium's Board of Directors and its various committees, the directors received the following emoluments and attendance fees in 2012:

Name	Total (€)
Daniël Termont	26,501.35
Marianne Basecq	21,901.08
Sophie Brouhon	32,601.62
Jean-Jacques Cayeman	16,550.81
Paul De fauw	6,140.95
Ludo Kelchtermans [5]	8,602.07
Caroline De Padt	21,901.08
Hélène Deslauriers	20,651.08
Mireille Deziron	15,300.81
André Farber	21,401.08
Claude Grégoire [1]	21,901.08
Luc Hujoel [2]	21,901.08
Luc Janssens	16,050.81
Monique Lievens	16,050.81
Patrick Moenaert	17,550.81
Walter Nonneman	22,901.08
Josly Piette [1]	10,450.54
Yves Rheault [3]	23,151.08
Henriette Van Caenegem	20,901.08
Christian Viaene [4]	23,151.08
Luc Zabeau [2]	16,050.81
Total	**401,612.19**

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 Caisse de dépôt et placement du Québec.
(4) Mr Christian Viaene retroceded his emoluments and attendance fees to Sibelgas.
(5) Mr Ludo Kelchtermans retroceded his emoluments and attendance fees to NUHMA.

Representatives of the federal government (attending meetings of the Board of Directors and the Strategy Committee in an advisory capacity):

- François Fontaine, whose term of office was renewed by the Royal Decree of 14 December 2012[2]
- Aart Geens, who was appointed by the Royal Decree of 14 December 2012 which entered into force on 14 January 2013.

The members of Fluxys Belgium's Board of Directors hold no remunerated mandates 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 Belgium's Executive Board is as follows: the Appointment and Remuneration Committee comes up with some recommendations for the Board of Directors, and the Board of Directors approves the remuneration policy for the Executive Board on the basis of these recommendations. 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

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[2] Royal Decree appointing federal government auditors to the Boards of Directors of the relevant operators, as provided for in Article 8/3(1/3) of the Act of 12 April 1965 concerning the transmission of gaseous and other products by pipeline.

commensurate with a benchmark salary in the general marketplace, and a variable remuneration that rewards personal and company performance.

The members of the Executive Board work for both Fluxys Belgium and its parent company Fluxys. As such, a share of their basic salary and variable remuneration is paid in respect of their activities at Fluxys Belgium, while another share is paid in respect of their activities at Fluxys.

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 Balance Score Card compiled on the basis of a long-term strategy. The Management Score Card is used to produce individual Balance 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 Belgium's Board of Directors decided to introduce new rules relating to multi-annual objectives and the spreading of performance-related remuneration As regards the spreading of variable remuneration for 2012, Fluxys Belgium 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 2012, 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. 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 2012.

On 20 February 2013, the Board of Directors approved performance at Fluxys Belgium for 2012. It also approved the basic salary and variable remuneration for the Chairman of the Executive Board, on the proposal of the Appointment and Remuneration Committee, and the basic salary and variable remuneration for other members of the Executive Board, on the proposal of the Chairman of that body.

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 (company and individual objectives);
- 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 2012:

Basic salary	€312,000
Variable remuneration	€174,720
Pension	€130,468
Other components	€16,490
Total	€633,678

Total remuneration awarded to other members of the Executive Board in 2012[3]:

Basic salary	€442,093
Variable remuneration	€160,919
Pension	€142,703
Other components	€74,767
Total	€820,482

Contractual provisions. All members of the Executive Board, except the Chairman, have employee status. Fluxys Belgium applies the relevant legal provisions to their employment contracts. 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 Belgium consolidation scope.

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

[3] Within the multi employer contract, the concerned members are remunerated partly for the exercise of their mandate within Fluxys Belgium and partly within Fluxys. Besides some changes have occurred in the composition of the Executive Board.

Remuneration policy for the next two financial years

- In 2012, Fluxys Belgium used the HAY methodology to re-evaluate the positions of the members of the Executive Board, which resulted in partial reorganisation of positions and led to individual members of the Executive Board receiving higher basic salaries than in financial year 2011 (up by a maximum of 4%). The Chairman of the Executive Board's situation remained unchanged.
- Under the remuneration policy applied by Fluxys Belgium in 2012, the members and Chairman of the Executive Committee are paid one share of their total remuneration in respect of their activities at Fluxys Belgium, and another share in respect of their activities at Fluxys.
- Fluxys Belgium is considering adjusting the remuneration policy and remuneration level for directors over the next two years on the basis of a comparison with similarly sized companies in the sector.

1.5.12. 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 2012.

1.5.13. 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.

Change in auditor representative. Pursuant to the standards laid down by the Institute of Auditors (*Institut des Reviseurs d'Entreprise/Instituut der Bedrijfsrevisoren*) on 30 August 2007 concerning certain aspects associated with the independence of auditors (pursuant to the Directive of the European Parliament and of the Council of 17 May 2006), Jurgen Kesselaers, who had represented Deloitte SCRL, Réviseurs d'entreprise vis-à-vis Fluxys since the Annual General Meeting held on 9 May 2006, was Replaced by Gert Vanhees at the Annual General Meeting held on 8 May 2012.

Emoluments. The Annual General Meeting determined the annual emoluments of Deloitte SCRL, Réviseurs d'entreprise. In 2012, Deloitte received emoluments totalling €149,268.50 for its work as Fluxys Belgium's auditor. Deloitte also performed other tasks worth a total of €30,300.

1.5.14. 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.

2. Sustainable development

2.1 People as a driver of growth

2.1.1 Integrated talent management

Fluxys Belgium attaches great importance to rallying its staff behind the vision, mission, strategy and values of the company. Helping each staff member to understand not only *what* the company is striving to achieve but also *how* it wants to achieve it, and which behaviours need to be reinforced on a daily basis to get there, is one of the critical success factors.

2.1.2 Acquiring new talent

Attracting talented staff is one of the company's strategic goals. Every choice shapes the future development and success of Fluxys Belgium. Given the current battle to attract talent, even greater emphasis is being placed on ensuring that the company is viewed positively by our relevant target groups.

Fluxys Belgium is taking a multimedia approach and is diversifying the channels via which it recruits. The company is also fostering close contacts with a number of schools and universities and is offering students the opportunity to follow an internship or to complete their final dissertation with Fluxys Belgium. All these steps are designed to showcase Fluxys to target profiles and what it has to offer as an employer.

The in-depth selection process in which representatives of the company's various businesses play an active role is designed to recruit talented individuals who are passionate about their field, motivated and proactive, since ultimately Fluxys Belgium is

Fluxys Belgium wants to be a socially responsible company. Although we do not operate a quota policy, we do take care to maintain diversity amongst our staff and emphasize the multicultural nature of our company. We are also keen to help integrate young graduates into the world of work via 'youth contracts'.

2.1.3 Staff integration

Fluxys Belgium's induction, training and skills-management programmes are designed to develop the potential of all staff and to help them achieve the company's goals.

Welcoming and integrating new staff. New recruits and staff entering a new role all follow a personalised induction programme. This programme includes training sessions on Fluxys Belgium's working methods and procedures, site visits and information sessions to gain a clearer understanding of the company's activities. Managerial staff play an active role in the induction programme and are responsible for settling new staff into their team and working environment.

Staff also benefit from an in-depth training programme focussing on three key areas: safety at work, acquiring the basics of the gas industry and standard interpretation and implementation of procedures.

Mentoring. Every new employee or any staff member who is switching roles is assigned an official mentor. Mentors are experienced colleagues responsible for supporting and guiding the new recruit in his/her new working environment.

2.1.4 Staff development and career management

Fluxys Belgium believes that it is crucial to facilitate internal mobility and enable its staff to flourish, since the success of an individual will ultimately shape that of the company as a whole.

Internal mobility. Mindful that development is one of the driving forces behind an individual's professional success and that the latter will ultimately help the company to achieve its goals, Fluxys Belgium encourages and facilitates internal mobility. The company has long sought to promote from within, and staff thus have the opportunity to build a varied career. The development of Fluxys Belgium's parent company on an international level also represents a golden opportunity for all staff.

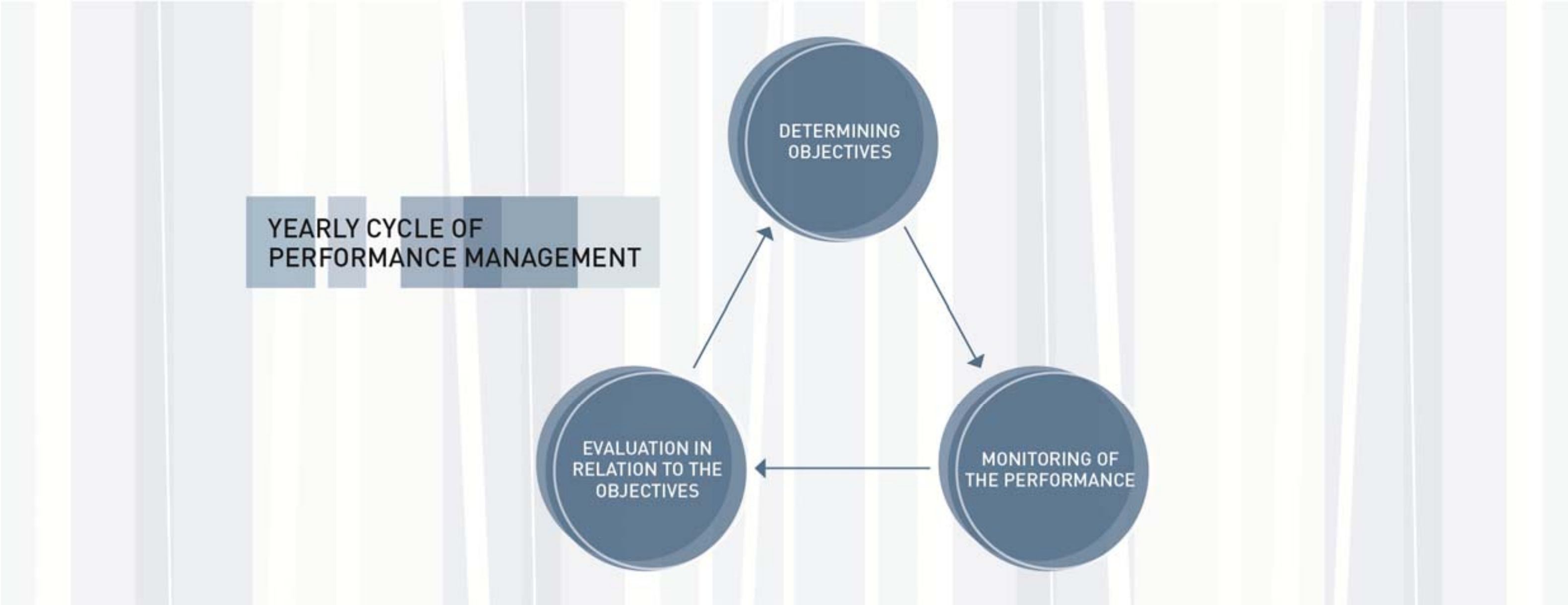
Skills management. Fluxys Belgium ensures that its staff are equipped with the skills they need to achieve the company’s goals. Flexibility and the ability to adapt to change, teamwork and, more broadly, a forward-looking and results-oriented approach are all skills that Fluxys Belgium will be driving home over the coming years. Special support will also be given to supervisors in how to manage skills and develop their staff and teams.

Staff regularly audit their own skills, a task which enables them to put together a targeted personal career and development plan. It also helps to foster more collective paths to development.

Support and training. Fluxys Belgium's training policy ensures that the knowledge and skills acquired by its staff reflect changes in the company's strategy, values and goals. Fluxys Belgium sets great store by safety and technical training, as well as by developing individuals' interpersonal, leadership and communication skills.

2.1.5 Performance management

As part of Fluxys Belgium's corporate and departmental goals, each staff member sits down with his/her line manager to draw up a set of personal objectives. A performance review is held at least once a year at which staff member and line manager monitor whether the key tasks and objectives defined are still achievable and relevant. At a performance evaluation, the staff member's achievements during the year are assessed against the objectives initially drawn up.



2.1.6 Staff commitment

Our staff are the driving force behind our company and their commitment is crucial to its future. That's why Fluxys Belgium seeks to shore up cohesion amongst its staff and promote a feeling of loyalty and 'belonging' to the company, and offer employees the best working environment possible.

'MOVE' mobility project. Fluxys Belgium's MOVE mobility project is designed to respond to the desire of staff for a more efficient and flexible work structure, including teleworking.

2.1.7 Sustainable social dialogue

Promoting active involvement and exchange is a top priority in HR management. Social dialogue with staff representatives helps to foster a sense of cohesion and promotes a serene climate for industrial relations within the company. It involves a broad range of partners: all staff members, members of the Works Council, the Workplace Health & Safety Committee, and trade union representatives. Such social consultation has enabled Fluxys Belgium to establish relationships of trust based on transparent and constructive discussion.

2.1.8 Remuneration policy

In a bid to continue developing the company's dynamism and to encourage a sense of commitment and involvement among its staff, Fluxys Belgium offers competitive pay in line with market levels. The company's remuneration policy is based on an objective and transparent scale designed to:

- ensure that the conditions offered are in line with market levels so as to be able to attract and retain staff who have the required skills;
- enable performance-related pay, which varies depending on each individual's role in and contribution to Fluxys Belgium's annual goals.

2.2 Operating safely

2.2.1 Safety: a day-to-day priority

As operator of the natural gas transmission grid in Belgium, safety is Fluxys Belgium's 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 Belgium 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 Belgium 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 Belgium 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 Belgium's name and an emergency contact number) are installed 30 cm above the pipeline. Fluxys Belgium 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.

Soul. The Soul project was launched company-wide to further enhance awareness of safety issues within Fluxys Belgium and is intended to permanently improve both process safety and occupational safety at the company. The aim is to embed safety even deeper in operational activities and to achieve operational excellence in all areas through:

- high-quality, safe and efficient processes;
- consistent and appropriate safety behaviours;
- better communication.

This is being done by, for example, enhancing technical training and technical audits and by promoting a stronger feedback culture throughout the company. In 2012, a new Technical Audit department was set up tasked specifically with conducting audits on health, environment, safety and quality issues. The first audits have already been completed. A Technical Training department has also been set up, focussing on integrating practical safety training courses into technical training.

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 Belgium 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 Belgium handled approximately 51,000 notifications in 2012.

Fluxys Belgium 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 Belgium patrol officers, based in eight regional operating sectors, inspect the pipeline system every day. Fluxys Belgium 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.

As part of the maintenance programme, the inside of pipelines is also inspected: a measuring device known as an intelligent pipeline integrity gauge can record all the parameters needed to analyse and monitor the condition of the internal walls of the pipeline, over a distance of several dozens of kilometres.

Always on standby. Over 300 staff are on duty or standby at both Fluxys Belgium headquarters and its regional operating sectors to take immediate action should technical problems occur or the smell of gas be reported. The central dispatching office monitors the status of the grid and its facilities 24 hours a day. It also takes the lead in coordinating the response to reports of the smell of gas as well as to incidents and accidents. If an incident occurs on the grid, Fluxys Belgium's technicians and specially trained welders are also on standby around the clock to carry out repairs on site. A crisis unit is also available which can be deployed rapidly in emergency situations.

2.2.2 Integrated Quality & Safety Management System

Fluxys Belgium 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 Belgium 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 Belgium's processes and procedures are constantly reviewed to take account of a range of factors such as the latest technological developments. In 2012, Fluxys Belgium and Fluxys LNG staff attended a total of approximately 9,600 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.

2.2.3 Awareness-raising campaigns

Serious pipeline incidents arise mainly from damage caused by third parties. That is why Fluxys Belgium 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 Belgium 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. Fluxys Belgium conducts a programme of information meetings held with the authorities of each of the 395 municipalities with a Fluxys Belgium high-pressure pipeline sited either within the municipality itself or in its immediate vicinity. Fluxys invites not only the mayor and aldermen to these meetings, but also technical and town planning department officers, the fire brigade and the police. The programme of meetings for the previous legislative term was completed in 2011. In election year 2012, Fluxys Belgium continued to host information meetings at municipalities' request.

Now that the municipal councils have been formed, a new programme of information meetings is being launched. In order to reach as many municipalities as possible at the earliest opportunity, in 2013 Fluxys Belgium will be organising a joint information meeting in each province to which all municipalities in that province will be invited. Meetings with individual municipalities will follow at a later date.

Pipeline maps sent to municipalities. Every five years, Fluxys Belgium sends a direct mailing to each municipality with a full overview of the pipelines in their territory. This five-yearly mailing was sent out in 2012. If new pipelines are commissioned or existing pipelines are moved during the five-year period, the municipalities concerned are automatically sent a copy of the updated maps.

Information at fairs. Fluxys Belgium hosts a stand at the annual *Salon des Mandataires* fair in Marche-en-Famenne. In 2012, the company also hosted a stand at the biennial fair of the *Vereniging van Vlaamse Steden en Gemeenten* (Flemish Towns and Municipalities Association). Both events are geared towards municipal and provincial representatives. The Fluxys Belgium stand sought to raise awareness among this target group of the need to supervise works in the vicinity of Fluxys Belgium pipelines closely and to carry out the appropriate checks when issuing work permits.

Collaboration with the fire and police services

Pipeline maps. As a member of the Federation of Belgian Pipeline Companies (Fetrapi), Fluxys Belgium 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 Belgium pipelines present in their area. This five-yearly overview was sent out in 2012. If new pipelines are commissioned or existing pipelines are moved during the 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 control rooms (101) 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 Belgium or other Fetrapi members. The 100 and 101 centres have in some provinces been merged into a single centre.

Emergency and intervention planning. In the context of the guide to emergency measures in relation to pipelines used to transport gas and liquids, Fluxys Belgium is always available to assist municipalities and provinces when drafting intervention plans. As part of this, Fluxys Belgium and the fire brigades hold joint exercises to practise the emergency plans. In 2012, such exercises were organised at Asse and Brakel.

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

Initiatives for the construction sector

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

In 2012 as in previous years, Fluxys Belgium 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. 140). These sessions are organised for various organisations such as contractors and engineering firms.

Information for contractors and excavation-machine operators. Fluxys Belgium 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 natural gas transmission infrastructure. The brochure, which was updated in 2012, is aimed at excavation-machine operators and excavation workers, contractors, developers, architects and consulting engineers.

The brochure is available on the Fluxys Belgium website and is also distributed by Fluxys Belgium's 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 Belgium 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 Belgium notifies such parties of the presence of pipelines by way of an eye-catching direct mailing.

In 2012, the mailing programme was completely revamped. The mailing is now sent out to all owners and operators within a radius of 50 m of pipelines (previously the radius was only 20 m). In densely populated areas, the radius will be adjusted in line with environmental conditions. In addition, both the letter to owners and the accompanying brochure have been revised to make them more appropriate to their target readership.

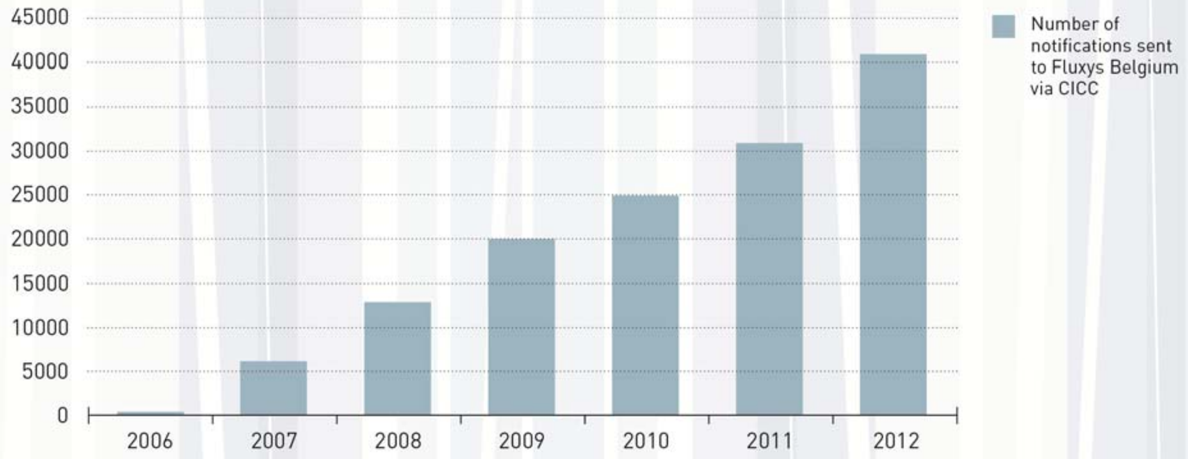
2.2.4 Simplifying notification of works

CICC/KLIM: notification of works made quick and simple. The Federal Cable and Pipeline Information Database, is operated by the non-profit association CICC/KLIM. Apart from Fluxys Belgium, the main members of the latter are Elia and the other pipeline companies belonging to Fetrapi. Using the CICC 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 is evolving into the general portal for location plan requests. In 2012, more companies from a range of fields joined up and the Brussels-Capital Region also took steps to establish the need to request plans via CICC in legislation.

Since it was first launched, use of the CICC platform has increased considerably. Of all CICC consultations in 2012, over 41,000 pertained to Fluxys Belgium, as compared with 31,000 in 2011 and 25,000 in 2010. Fluxys Belgium received some 80% of all notifications via the CICC portal in 2012, compared with just 24% in 2008.

In total, Fluxys Belgium received around 51,000 notifications in 2012, fewer than the 53,000 received in 2011. This is because more notifications are being made via CICC, which means that those not related to natural-gas infrastructure are filtered out and never reach Fluxys Belgium.



NUMBER OF NOTIFICATIONS SENT TO FLUXYS BELGIUM THROUGH CICC

The federal CICC platform has a Flemish counterpart called the Cable and Pipeline Information Portal (KLIP). CICC and KLIP are linked: any notifications submitted via CICC of works being carried out in Flanders are automatically forwarded to KLIP, while notifications in KLIP are automatically forwarded to CICC. 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 Belgium pipelines must also be notified. These include connections of properties to the distribution system and repairs to the distribution infrastructure. Fluxys Belgium 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.

2.3 Good neighbourly relations

2.3.1 Transparent communication during infrastructure projects

From the planning phases for new infrastructure projects on, Fluxys Belgium 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 Belgium has produced a film showcasing the company and explaining its activities. The film has a modular structure, so it can be adapted flexibly to the purpose of each information meeting.

Initiatives for municipalities

Information sessions about new pipeline projects. Fluxys Belgium offers the municipalities the possibility of co-organising with them information meetings for local residents during the permitting procedures for new pipelines. In 2012, Fluxys Belgium began overhauling the entire communication process.

- The first step is 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.
- During the public scrutiny stage, Fluxys Belgium then offers to organise a second meeting jointly with municipalities. This may take the form of a conventional information meeting but Fluxys Belgium is also open to new types of interaction, such as information fairs.
- In 2013, the communication process will be completely remodelled, from the permit stage right through to completion of works.

Site visits. Municipalities and other authorities are regularly invited on site visits and to site meetings whenever a Fluxys Belgium 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. In 2012, Fluxys Belgium organised site visits in connection with work to lay the pipelines between Ben-Ahin and Bras and between Balen and Leopoldsburg respectively.

Initiatives for local residents

At the design phase of every new pipeline project, Fluxys Belgium 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 Belgium contact person is and the process involved in laying a pipeline. In addition to the brochure, an information page on every new pipeline project is set up on the Fluxys Belgium website. Communication with local residents is a particular focus in other types of project as well.

Initiatives for farmers

Since the vast majority of Fluxys Belgium's pipelines are laid under farmland, it is crucial for Fluxys Belgium 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 Belgium laying down the compensation for farmers who are temporarily unable to use their fields and meadows when a pipeline is being laid. The agreement was amended in 2012 to take account of changes in market prices.

During the work, Fluxys Belgium 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.

2.3.2 Dedicated Fluxys Belgium 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 Belgium. In this way they can consult someone who has a thorough knowledge of their concerns and the features of their land. The Fluxys Belgium 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 Belgium. They are also the contact persons for owners and operators of land after works have been completed.

2.4 Well-being at work

Number of accidents. In 2012, 14 accidents resulting in lost working time were recorded at Fluxys Belgium and Fluxys LNG, compared with 21 in 2011. The number of days off work totalled 286 in 2012, compared with 299 in 2011; this is still an average score within the gas and electricity sector. Every accident is investigated thoroughly and immediate action is taken to prevent a similar incident occurring in the future. We believe firmly that the current downward trend in the number of accidents can be maintained; last year, several sites experienced no accidents at all thanks to continued H&S efforts. One of the aims of the Soul project (see p. 134) is to bring about lasting reductions in these statistics.

Comprehensive Health and Safety Plan. Through its Comprehensive Health and Safety Plan, Fluxys Belgium is taking steps to improve the prevention of workplace accidents and incidents. That plan forms the basis for annual action plans. In 2012, the Comprehensive Health and Safety Plan 2011-2015 was wound up early and replaced by the Comprehensive Health and Safety Plan 2012-2016, which is structured around the principles underpinning the Soul project. Nine projects under the Comprehensive Health and Safety Plan 2011-2015 were finalised in 2012, while eight others have been transferred to the new Comprehensive Health and Safety Plan 2012-2016.

The Comprehensive Health and Safety Plan 2012-2016 focuses on three main areas:
- Organisation: setting up a Technical Audit department and more stringent monitoring of Key Performance Indicators with regards to safety
- Leadership & People: new Technical Training department and an enhanced safety culture
- Infrastructure: strict compliance with technical codes in terms of designing and operating facilities

Actively raising awareness of safety culture. Fluxys Belgium 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. Collaboration on prevention between all departments and between each individual department and contractors is paramount.

Positive SCC audit. Fluxys Belgium's Project Management, Supervision & Interventions and Cathodic Protection departments play an active role on work sites and have Safety Checklist for Contractors (SCC) certification (version 2008/5.1). Each year an interim audit is held, with a full recertification audit being conducted every three years. In 2012, the interim audit was completed successfully.

Coordinating safety on temporary and mobile sites. Right from the start of its infrastructure works, Fluxys Belgium 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 into account the specific nature of each individual project and the specific environmental factors.

In the case of larger scale projects, Fluxys Belgium 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 Belgium now brings together safety coordinators once or twice a year to exchange experiences.

Safety meeting with framework contractors. Fluxys Belgium invites its main framework contractors to a joint meeting twice a year to discuss various aspects of site safety and safety when carrying out maintenance work on Fluxys Belgium facilities. The purpose of the meetings is 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.

Emergency plan exercises. Fluxys Belgium holds regular emergency plan exercises on the pipeline network and at its stations. The municipal fire brigade is also involved in exercises at Seveso sites as well as those at smaller stations: in 2012, such joint exercises were carried out in Asse and Brakel. The aim is to further enhance cooperation with the emergency services by means of joint emergency plan exercises.

2.5 Environment

Towards 100% carbon-neutral gas supply in 2050

In June 2012, Fluxys Belgium and gas infrastructure companies Energinet.dk (Denmark) and Gasunie (Netherlands) jointly pledged to transmit 100% carbon-neutral gas through their infrastructure by 2050.

This commitment demonstrates the three companies' desire to play an active role in fighting climate change. To reach their shared goal, Fluxys Belgium, Energinet.dk and Gasunie are cooperating closely and exchanging expertise with a view to implementing the various options and studying how these can be combined given the different energy situation in each country. Other operators are welcome to join this initiative to promote the development of a sustainable gas sector.

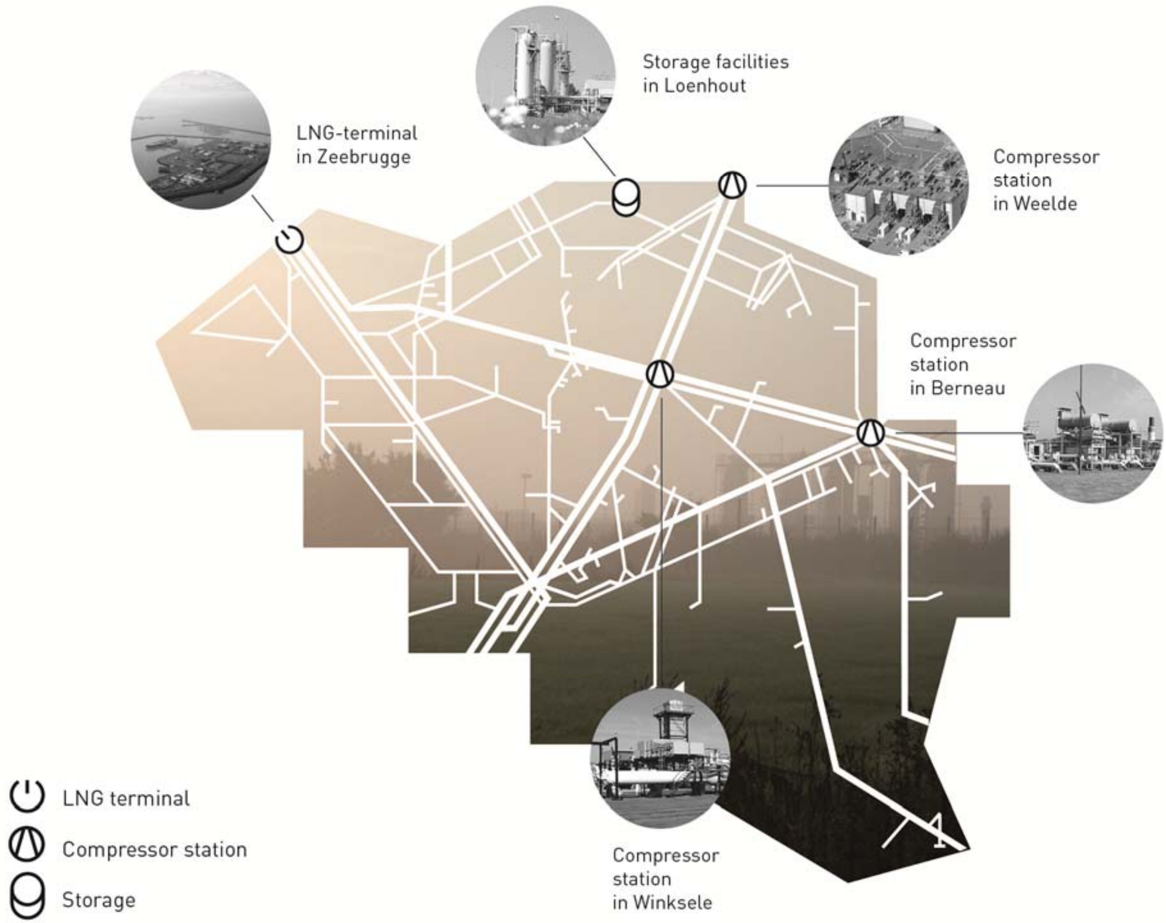
2.5.1 Key elements in environmental policy

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 landscape. Fluxys Belgium's environmental policy is designed to further systematically limit the already minimal environmental impact and to this end the company utilises the best available technologies.

2.5.2 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 2012, Fluxys Belgium amended the required documentation to comply with the new EU legislation.



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

- In accordance with the EU Directive, Fluxys Belgium holds CO_2 emission rights for each of its Kyoto sites.
- As per the Directive, Fluxys Belgium 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 2012 did not identify any non-conformities.
- Fluxys Belgium also prepares an annual emissions report for each Kyoto site in line with the Directive. These reports are then audited externally. This external audit was concluded successfully.

2.5.3 Focus on energy efficiency

Commitment to joining the global energy-efficiency elite

Global benchmark. On its own initiative, Fluxys Belgium 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 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 Belgium facilities involved were among the best in the world in terms of energy efficiency. In 2012, Fluxys Belgium remained on course with its planned measures.

Robust approach to rational use of energy (RUE)

New infrastructure projects: energy study. Any Fluxys Belgium project for new natural gas transmission infrastructure that will consume a significant amount of energy includes a thorough energy study. This study is used to integrate the most effective solution for improving the project's energy efficiency.

LNG terminal: open rack vaporiser. In connection with the environmental permit for the first capacity enhancement of the Zeebrugge LNG terminal (2004-2008), Fluxys Belgium 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.

In 2009, Fluxys Belgium decided to build the open rack vaporiser. In 2012, the final preparatory works were completed and the facility will be commissioned in 2013.

2.5.4 Indicators

Soil

Within the framework of Fluxys Belgium's policy to decommission pipelines as safely as possible, a programme was launched in 2010 to permanently decommission 520 km of disused pipeline. By late 2012, a total of 179 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.

Noise

Above-ground installations. In recent years, Fluxys Belgium 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. In line with this, low-noise pressure-reducing equipment has been installed at various points on the network.

At the compressor station at Winksele, as part of the action plan an acoustic fence has been erected. The action plans at the compressor station at Weelde continue to be implemented. The action plans for the Berneau compressor station and the entry point at Raeren were completed in 2012.

Sites. An external company took noise-level readings on Fluxys Belgium 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 Belgium are more than sufficient to keep noise nuisance to an acceptable level.

Air

Fluxys Belgium 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 lower levels of harmful emissions.

Fluxys Belgium 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. Since 2012, Fluxys Belgium has operated a mobile facility for transferring natural gas to a nearby pipeline to prevent methane from being released into the atmosphere. Whether such a facility is used depends on a number of factors, including the volume of gas involved and whether any other pipelines are present in the vicinity.

Fluxys Belgium participates in working groups developing best practices to prevent and/or minimise emissions of methane (CH_4) and nitrogen oxides (NOx). These working groups are organised by the Technical Association of the European Natural Gas Industry (Marcogaz).

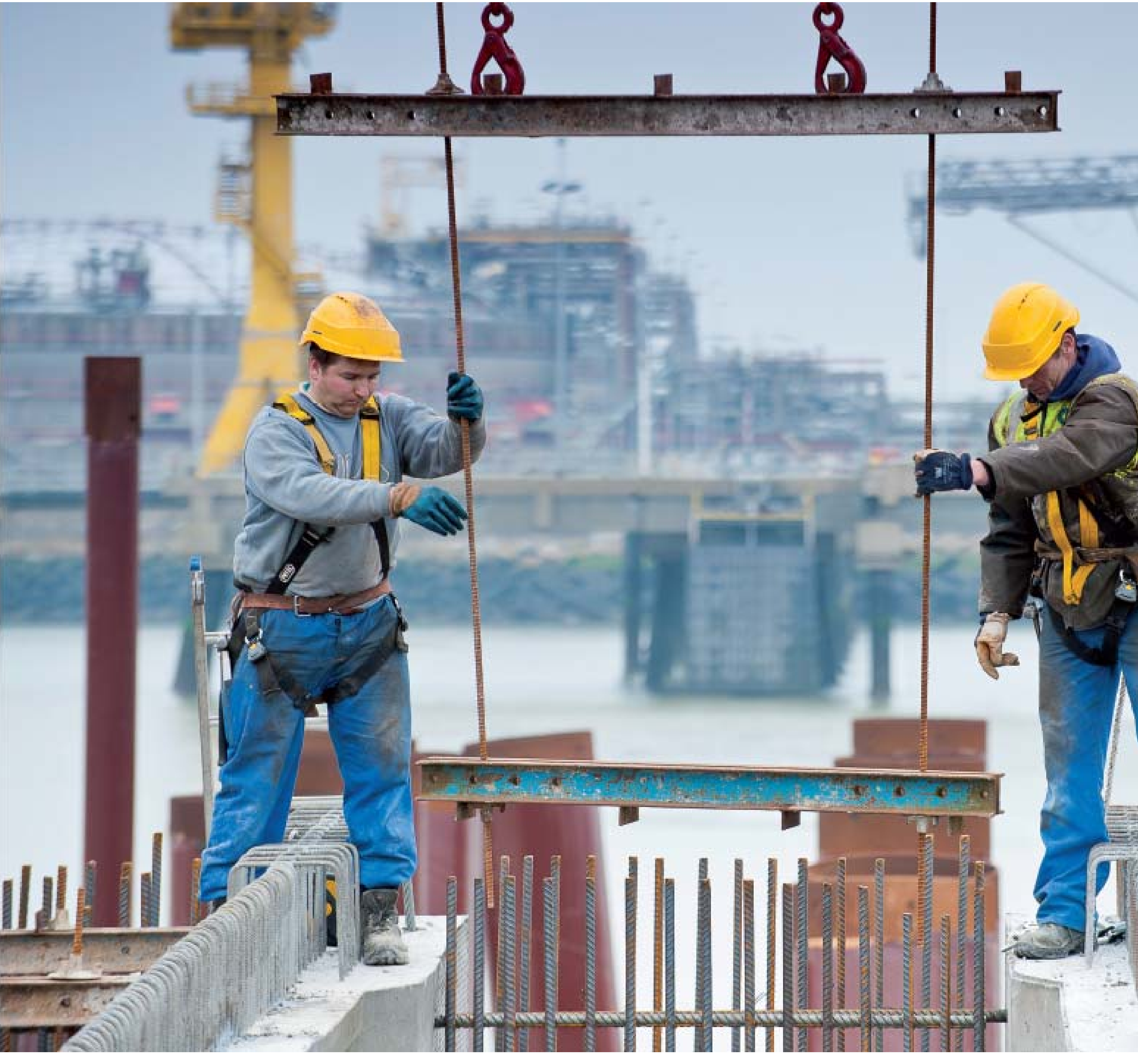
Nature conservation

Fluxys Belgium 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 are currently under way:

- replacement pipeline between Ravels and Oud-Turnhout;
- new pipeline between Wilsele and Loenhout;
- new pipeline between Herentals and Ham;
- new pipeline between Tessenderlo and Diest;
- new pipeline between Alveringem and Maldegem;
- fifth storage tank for liquefied natural gas at the LNG terminal in Zeebrugge.

Promoting nature. When laying a new pipeline, Fluxys Belgium always takes care to ensure that the environment is impacted as little as possible and that nature can be restored in the area once the works to lay a pipeline have been completed. Wherever possible, Fluxys Belgium also invests in compensatory measures to benefit nature.



3. Consolidated financial statements under IFRS

I. General information on the company

Corporate name and registered office

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

Group activities

The main activities of Fluxys Belgium group are the transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. Fluxys Belgium 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 Belgium group.

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[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 Belgium group under IFRS

A. Consolidated balance sheet

Consolidated balance sheet			In thousands of €
	Note	31-12-2012	31-12-2011
I. Non-current assets		**2,492,625**	**2,610,631**
Property, plant and equipment	12	2,416,548	2,528,848
Intangible assets	13	17,024	15,263
Other financial assets	16	3,962	42
Finance lease receivables	17	22,850	25,303
Loans and receivables	18/33/35	32,241	41,175
II. Current assets		**484,598**	**617,872**
Inventories	19	51,208	43,335
Other current financial assets	33	0	25,600
Finance lease receivables	17	2,453	2,067
Current tax receivable	20	1,064	2,673
Trade and other receivables	21	50,515	90,784
Short-term investments	22	48,541	41,984
Cash and cash equivalents	22	213,480	405,622
Other current assets	23	5,154	5,807
Assets held for sale		112,183	0
Total assets		**2,977,223**	**3,228,503**

Consolidated balance sheet			In thousands of €
	Note	31-12-2012	31-12-2011
I. Equity	24	**828,062**	**1,362,816**
Equity attributable to the parent company's shareholders		828,062	1,362,815
Share capital and share premiums		60,310	60,310
Reserves not available for distribution		12,813	9,552
Other reserves		-9,142	-9,708
Retained earnings		764,081	1,302,661
Non-controlling interests		0	1
II. Non-current liabilities		**1,869,401**	**1,540,656**
Interest-bearing borrowings	25	1,458,093	1,058,341
Provisions	26	6,884	24,423
Provisions for employee benefits	27	47,686	54,443
Other non-current financial liabilities	33	990	0
Deferred tax liabilities	28	355,748	403,449
III. Current liabilities		**279,760**	**325,031**
Interest-bearing borrowings	25	91,129	148,903
Provisions	26	17,869	14,008
Provisions for employee benefits	27	3,341	3,715
Other current financial liabilities	33	0	1,989
Current tax payable	29	49,388	53,264
Current trade and other payables	30	73,912	100,740
Other current liabilities	31	2,221	2,412
Liabilities related to assets held for sale		41,900	0
Total liabilities and equity		**2,977,223**	**3,228,503**

B. Consolidated income statement

Consolidated income statement			In thousands of €
	Note	31-12-2012	31-12-2011
Operating revenue	4	626,306	709,857
Other operating income	5	26,744	11,427
Consumables, merchandise and supplies used	6	-44,365	-39,128
Miscellaneous goods and services	6	-168,609	-139,653
Employee expenses	6	-125,368	-131,028
Other operating charges	6	-7,720	-9,174
Depreciation and amortisation	6	-142,830	-128,698
Provisions	6	23,395	184,477
Impairment losses	6	-811	-233,680
Profit from continuing operations		**186,742**	**224,400**
Change in the fair value of financial instruments	8	3,400	1,477
Financial income	7	11,224	13,838
Financial expenses	8	-60,627	-52,944
Profit/loss from continuing operations after net financial results		**140,739**	**186,771**
Income tax expense	9	-51,898	-64,692
Net profit for the period	10	**88,841**	**122,079**
Fluxys Belgium share		88,841	122,078
Non-controlling interests		0	1
Basic earnings per share attributable to the parent company's shareholders in €	11	1.2644	1.7374
Diluted earnings per share attributable to the parent company's shareholders in €	11	1.2644	1.7374

The result per share in Euro is calculated on the basis of 70,263,501 shares following the split of the Fluxys Belgium share. Consequently the result per share in Euro has been adjusted for the year 2011.

C. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			In thousands of €
	Note	31-12-2012	31-12-2011
Net profit for the period	10	**88,841**	**122,079**
Actuarial gains/losses on employee benefits	26	526	-8,179
Income tax expense on other comprehensive income		-179	2,780
Other comprehensive income		347	-5,399
Comprehensive income for the period		**89,188**	**116,680**
Fluxys Belgium share		89,188	116,679
Non-controlling interests		0	1

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	Employee benefits	Retained earnings	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	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. Other change				44	-44	0		0
II. CLOSING BALANCE AS AT 31-12-2011	60,272	38	9,552	-9,708	1,302,661	1,362,815	1	1,362,816

Consolidated statement of changes in equity								In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Employee benefits	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. CLOSING BALANCE AS AT 31-12-2011	60.272	38	9.552	-9.708	1.302.661	1.362.815	1	1.362.816
1. Comprehensive income for the period			3.261	347	85.580	89.188	0	89.188
2. Dividends paid					-623.941	-623.941	-1	-623.942
3. Other change				219	-219	0		0
II. CLOSING BALANCE AS AT 31-12-2012	60.272	38	12.813	-9.142	764.081	828.062	0	828.062

E. Consolidated statement of cash flows (indirect method)

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2012	31-12-2011
I. Cash and cash equivalents, beginning balance	**405,622**	**559,173**
II. Net cash flows relating to operating activities	**249,370**	**298,782**
1. Cash flows from operating activities	**311,124**	**415,100**
1.1. Profit from operations	186,742	224,400
1.2. Non cash adjustments	118,095	178,915
1.2.1. Depreciation and amortisation	142,830	128,698
1.2.2. Provisions	-23,395	-184,476
1.2.3. Impairment losses	811	233,680
1.2.4. Translation adjustments	0	0
1.2.5. Other non cash adjustments	-2,151	1,013
1.3. Changes in working capital	6,287	11,785
1.3.1. Inventories	-7,873	8,567
1.3.2. Tax receivable	1,609	-148
1.3.3. Trade and other receivables	40,269	-2,786
1.3.4. Other current assets	653	184
1.3.5. Tax payable	-541	6,121
1.3.6. Trade and other payables	-26,828	426
1.3.7. Other current liabilities	-191	313
1.3.8. Other changes in working capital	-811	-892
2. Cash flows relating to other operating activities	**-61,754**	**-116,318**
2.1. Tax receivable	-67,056	-124,126
2.2. Interest from marketable securities, cash and cash equivalents	4,969	7,852
2.3. Other inflows (outflows) relating to other operating activities	333	-44
III. Net cash flows relating to investing activities	**-112,399**	**-209,937**
1. Acquisitions	**-120,949**	**-258,523**
1.1. Payments to acquire property, plant and equipment, and intangible assets	-117,029	-258,520
1.2. Payments to acquire subsidiaries, joint ventures or associates	0	0
1.3. Payments to acquire other financial assets	-3,920	-3

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2012	31-12-2011
2. Disposals	**4,855**	**3,684**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	4,855	3,684
2.2. Proceeds from disposal of subsidiaries, joint ventures or associates	0	0
2.3. Proceeds from disposal of other financial assets	0	0
3. Dividends received classified as investing activities	**0**	**0**
4. Government grants received	**3,695**	**44,902**
5. Other cash flows relating to investing activities	**0**	**0**
IV. Net cash flows relating to financing activities	**-329,113**	**-242,396**
1. Proceeds from cash flows from financing	**448,131**	**85,864**
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	2,067	1,718
1.4. Proceeds from other non-current assets	8,934	19,024
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	437,130	65,122
2. Repayments relating to cash flows from financing	**-104,802**	**-105,558**
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of finance lease liabilities	-31,069	-20,291
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-73,733	-85,267
3. Interest	**-41,943**	**-44,729**
3.1. Interest paid classified as financing	-42,267	-45,210
3.2. Interest received classified as financing	324	481
4. Dividends paid	**-623,942**	**-154,581**
5. Increase (-) / Decrease (+) of short-term investments	**-6,557**	**-23,392**
6. Bank overdrafts increased (decreased)		
7. Other cash flows relating to financing activities		
V. Net change in cash and cash equivalents	**-192,142**	**-153,551**
VI. Cash and cash equivalents, ending balance	**213,480**	**405,622**

III. Notes

Note 1a. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Belgium 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 Belgium SA authorised these IFRS financial statements for issue on 20 March 2013.

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

No changes or additions were made to the accounting principles in 2012.

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 (normally 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 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosure of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally 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 January 2013)
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- 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 IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities – Transition Guidance* (normally applicable for annual periods beginning on or after 1 January 2014)
- Amendment to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements, Disclosure of interests in Other Entities – Investment Entities* (normally applicable for annual periods beginning on or after 1 January 2014)

- 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 2013)
- Amendment to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- 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)

The group's management is of the opinion that the approval of these principles and interpretations have no consequences of substantial importance on the financial results of the group in the future.

Note 2. Accounting principles and policies

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

Changes or additions compared to the previous annual period are <u>underlined</u>.

2.1. General principles

The financial statements fairly present Fluxys Belgium 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 of the Fluxys Belgium group.

The accounting policies have been applied in a consistent manner.

2.2. Basis of consolidation

Fluxys Belgium 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 facilities and the LNG ship,
- 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 Belgium 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 Belgium 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

There are no changes in the consolidation scope in 2012.

Sale of Fluxys & Co in 2013

At the end of the fiscal year, the group has decided to proceed to the sale of the subsidiary Fluxys & Co. The assets and liabilities of this company consist of a 49% stake in the Norwegian partnership Patrederiet BW Gas Fluxys DA, which owns BW GDF Suez LNG Boston and the financial instruments related thereto. For this reason these assets and liabilities were transferred on 31 December 2012 to "Assets intended for sale" and "Liabilities related to assets intended for sale".

Since LNG shipping is not a core business of the group, Fluxys Belgium has exercised the put option in respect of GDF Suez. On 18 January 2013 the company Fluxys & Co was sold for an amount of €70 million. The contribution of this company to the net result of the fiscal year amounts to €3.6 million. The result of this company is part of the segment "Other activities" in the segment information.

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

The year 2011 was characterized by the definitive valuation of the transmission activities of Distrigas & Co. This valuation had an impact on different items of the income statement 2011, while it did not have an impact on the net result of Fluxys Belgium:

IFRS		2011 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**

For further information, the reader should refer to Note 3 of the annual financial report 2011.

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

**The put option has been exercised by the group. This company has been sold on 18 January 2013.*

Note 4. Operating revenue

Analysis of revenue by business segment:

Operating revenue under IFRS				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Transmission in Belgium	4.1	470,643	537,871	-67,228
Storage in Belgium	4.1	35,803	40,992	-5,189
Terminalling in Belgium	4.1	88,918	102,542	-13,624
Other revenue	4.2	30,942	28,452	2,490
Total		**626,306**	**709,857**	**-83,551**

Operating revenue in the fiscal year 2012 amounted to €626,306 thousand, compared with €709,857 thousand in the fiscal year 2011, a decrease of €83,551 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 fell by €67,228 thousand compared with the previous fiscal year. On the one hand, this decline was caused by the settlement of the Distrigas & Co case, which had a positive impact on the revenue from transmission activities in 2011. On the other hand, and although the sold capacity is higher than in 2011, the regulated turnover of the fiscal year falls as a result of the decline of the rates of the Belgian government bonds (OLOs) on the tariff settlements.

The latter also justifies largely the decline of the revenue from storage activities and LNG terminalling activities.

At the end of November 2011, the CREG approved the tariff proposal of Fluxys LNG. This generates an authorized return on the investments of the first capacity enhancement of which the profile differs from the previous model. This change also has a negative impact on the regulated turnover of the LNG terminalling activities

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

4.2 Other revenue relates mainly to work for third parties, the provision of facilities and our interest in the LNG tanker.

Turnover arising from the interest in the LNG tanker, which shall be taken out of the consolidation scope in 2013, amounts to €11,322 thousand in 2012.

Note 5. Other operating income

Other operating income			In thousands of €
	31-12-2012	31-12-2011	Change
Other operating income	26,744	11,427	15,317

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.

This item contains in 2012 the intervention of the insurances covering a part of the compensations paid to the victims of the Ghislenghien accident.

The balance of the evolution in the other operating income compared with the previous year is caused by the gains realized on the sale of fixed assets.

Note 6. Operating expenses

Operating expenses excluding net amortisation, depreciation and provisions				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Consumables, merchandise and supplies used	6.1	-44,365	-39,128	-5,237
Miscellaneous goods and services	6.2	-168,609	-139,653	-28,956
Employee expenses	6.3	-125,368	-131,028	5,660
Other operating expenses	6.4	-7,720	-9,174	1,454
Total operating expenses		**-346,062**	**-318,983**	**-27,079**
Of which costs related to lease agreements		-12,681	-12,810	129

6.1. Raw materials and consumables 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.

The change observed in this item is mainly due to the costs associated with the aforementioned purchase of gas.

6.2. Services and other goods

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.

The increase of miscellaneous goods and services in 2012 is mainly caused by the compensations paid to the victims of the Ghislenghien accident of which a part is covered by the received insurance payments.

The remuneration paid to Deloitte in its capacity as the group's statutory auditor totalled €149,268.50. In addition, Deloitte performed other tasks for which it was paid a total of €30,300.

6.3. Employee expenses

The group's average headcount remained reasonably stable, from 1,073 in 2011 to 1,074 in 2012. In FTE (full-time equivalents), the average headcount in 2012 was 1,050.4 compared to 1,049.8 in 2011.

Employee expenses fell by €5,660 thousand, mainly due to the non-recurrent payments of contributions to pension funds, which in 2011 were significantly higher than in 2012.

Workforce

	Fiscal year		Previous fiscal year	
	Total number of staff	Total in FTE	Total number of staff	Total in FTE
Average headcount	**1.074**	**1,050.4**	**1,073**	**1,049.8**
Fluxys Belgium	**1.031**	**1,008.1**	**1,030**	**1,007.4**
Executives	314	308.8	308	303.7
Employees	717	699.3	722	703.7
Fluxys LNG	**42**	**41.8**	**42**	**41.9**
Executives	2	2.0	2	2.0
Employees	40	39.8	40	39.9
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	**1,091**	**1,065.8**	**1,068**	**1,044.8**
Fluxys Belgium	**1,051**	**1,026.3**	**1,024**	**1,001.7**
Executives	326	320.3	308	304.0
Employees	725	706.0	716	697.7
Fluxys LNG	**39**	**39.0**	**43**	**42.6**
Executives	2	2.0	2	2.0
Employees	37	37.0	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 €1,589 thousand in 2012, compared to €2,988 thousand in 2011.

Net depreciation, amortisation, impairment losses and provisions				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Depreciation and amortisation	6.5	**-142,830**	**-128,698**	**-14,132**
Intangible assets		-8,894	-8,288	-606
Property, plant and equipment		-133,936	-120,410	-13,526
Impairment losses	6.6	**-811**	**-233,680**	**232,869**
Intangible assets		0	-234,572	234,572
Inventories		703	893	-190
Trade receivables		-1,514	-1	-1,513
Provisions for liabilities and charges	6.7	**23,395**	**184,477**	**-161,082**
Total depreciation, amortisation, impairment losses and provisions		**-120,246**	**-177,901**	**57,655**

6.5. Depreciation and amortisation

The depreciation of tangible assets increased due to the commissioning of new investments, primarily the RTRbis facilities, the Berneau compressor station and the enhancement of gas storage capacity at Loenhout.

6.6. Impairment losses

In 2011 the intangible assets resulting from the Distrigas & C° business combination were the subject of an impairment loss to reduce the balance to zero.

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 Note 3 of the annual financial report 2011).

The group's provisions as well as the 2012 changes are analysed in detail under balance sheet liabilities: Note 26 Provisions and Note 27 Provisions for employee benefits.

Note 7. Financial income

Financial income				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Financial income from lease contracts	7.1	324	481	-157
Interest income on marketable securities, cash and cash equivalents and interest rate swaps	7.2	4,969	7,852	-2,883
Expected return of pension plan assets	7.3	5,405	5,353	52
Other financial income		526	152	374
Total		**11,224**	**13,838**	**-2,614**

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

7.3. The decline in interest income on marketable securities, cash and cash equivalents is the result of a combined effect of a decline in the average return (down 36 basis points) on cash surpluses, and a fall in the average volume invested (down €137.12 million).

This fall in return reflects changes in market interest rates from 1 January to 31 December 2012.

7.3. See Note 27.

Note 8. Finance costs and change in the fair value of financial instruments

Finance costs				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Borrowing interest costs	8.1	-51,917	-45,210	-6,707
Unwinding of discounts	8.2	-8,517	-7,538	-979
Other financial expenses		-193	-196	3
Total		**-60,627**	**-52,944**	**-7,683**

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 and regulatory liabilities.

The increase in borrowing interest costs is due mainly to an issue in April 2012 of a new long-term debenture for an amount of €350 million.

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

Change in the fair value of financial instruments				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Use and change in the fair value of financial instruments	8.3	3,400	1,477	1,923
Total		**3,400**	**1,477**	**1,923**

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 €1,554 thousand for the fiscal year 2012 while their value increased by €4,954 thousand between 31 December 2011 and 31 December 2012.

It must be noted that the financial instruments in relation to the company Fluxys & Co are transferred to another item due to the sale of this company in 2013 (see Note 3).

Note 9. Income tax expense

Income tax expense is analysed as follows:

Income tax expense				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Current tax		-63,721	-156,140	92,419
Deferred tax		11,823	91,448	-79,625
Total	9.1	**-51,898**	**-64,692**	**12,794**

9.1. Income tax expense decreased by €12,794 thousand compared with 2011. This change is explained as follows:

Current tax				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Income tax on the profit of the period		**-61,402**	**-155,566**	**94,164**
Taxes and withholding taxes due or paid		-51,041	-115,731	64,690
Excess of payment of taxes and withholding taxes included in assets		0	207	-207
Estimated additional tax included in liabilities		-10,361	-40,042	29,681
Adjustments to previous years' taxes		**-2,319**	**-574**	**-1,745**
Total	9.2	**-63,721**	**-156,140**	**92,419**

9.2. Current income tax decreased by €92,419 thousand compared with the previous year. This change was mainly due to the impairment loss booked in 2011 on the "Distrigas & C°" intangible assets, of which the taxation was offset by the use of deferred tax liabilities (see Note 3). Current taxes of previous years contain a non-recurrent cost in relation to the company Fluxys & Co.

Deferred tax				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Relating to origination or reversal of temporary differences		**12,332**	**91,223**	**-78,891**
Differences arising from the valuation of non-current assets	9.3	18,678	98,495	-79,817
Differences arising from provisions	9.3	-5,576	-7,505	1,929
Others	9.3	-770	233	-1,003
Relating to tax rate changes or to new taxes		**-509**	**225**	**-734**
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		**11,823**	**91,448**	**-79,625**

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).

Non-recurrent payments made to pension funds, which were higher than in 2011, affect the provisions for employee benefits under IFRS and the associated deferred tax.

Change in the item ‘Others’ relates largely to the 5% tax on the non-recurrent dividend received from Fluxys LNG in 2011.

Reconciliation of expected income tax rate and effective average income tax rate			In thousands of €
	31-12-2012	31-12-2011	Change
Expected income tax based on applicable tax rate – Fiscal year	**-47,837**	**-63,483**	**15,646**
Profit before taxes	140,739	186,771	-46,032
Applicable tax rate	33.99%	33.99%	0.00%
Reconciling items	**-1,233**	**-410**	**-823**
Income tax rate differences between jurisdictions	537	713	-176
Tax-exempt income	0	0	0
Non-deductible expenses	-2,094	-1,720	-374
Taxable dividend income	-447	-534	87
Deductible notional interest cost	771	1,131	-360
Others	0	0	0
Income tax as per effective average tax rate – Fiscal year	**-49,070**	**-63,893**	**14,823**
Profit before taxes	140,739	186,771	-46,032
Average effective tax rate	34.87%	34.21%	0.66%
Taxes on tax-exempt reserves	**0**	**0**	**0**
Adjustments to previous years' taxes	**-2,828**	**-799**	**-2,029**
Total income tax expense	**-51,898**	**-64,692**	**12,794**

The average effective tax rate for 2012 amounted to 34.87% compared with 34.21% the previous year. The tax rate increased in 2012 because of the increase of the deductible expenses and a fall of the notional interest deduction.

Note 10. Net profit for the period

Net profit for the period			In thousands of €
	31-12-2012	31-12-2011	Change
Non-controlling interests	0	1	-1
Fluxys share	88,841	122,078	-33,237
Total net profit for the period	**88,841**	**122,079**	**-33,238**

The consolidated net profit for the fiscal year amounted to €88,841 thousand, a decrease of €33,238 thousand compared with 2011.

The net result of the regulated activities is mainly determined by the invested equity, financial structure and interest rates (Belgian government bonds (OLOs)).

This decrease is mainly due to the following items:

- The distribution of €421.6 million distributable reserves in 2012 causes the equity to fall and is immediately translated in a decrease of the net result by €3.7 million.
- On the other hand, return on the remaining equity increases due to the optimization of the financial structure which is now more in line with the regulatory framework (increased return of more than 25 basis points).
- The interest rates used as reference to calculate the authorized return on the regulated assets are the ten-year Belgian government bonds issued by the Belgian State. This year the interest rates are at a historical low level. In comparison: the last 5 years the average ten-year OLO interest rate amounted to 4%, while the average in 2012 was just below 3%. The result is a decline with €23.7 million of the regulated net result.

Note 11. Earnings per share

Numerator (in thousands of €)	31-12-2012	31-12-2011
Net profit per share from continuing operations attributable to the parent company's shareholders	**88,841**	**122,078**
Net profit	88,841	122,078
Impact of dilutive instruments		
Diluted net profit per share from continuing operations attributable to the parent company's shareholders	**88,841**	**122,078**
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	**88,841**	**122,078**
Net profit	88,841	122,078
Impact of dilutive instruments	0	0
Diluted net profit per share attributable to the parent company's shareholders	**88,841**	**122,078**

Denominator (in units)	31-12-2012	31-12-2011
Average number of outstanding shares	**70,263,501**	**70,263,501**
Impact of dilutive instruments	0	0
Diluted average number of outstanding shares	**70,263,501**	**70,263,501**

Profit per share (in €)	31-12-2012	31-12-2011
Basic earnings per share from continuing operations attributable to the parent company's shareholders	1.2644	1.7374
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	1.2644	1.7374
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	1.2644	1.7374
Diluted earnings per share attributable to the parent company's shareholders	1.2644	1.7374

The result per share in Euro is calculated on the basis of 70,263,501 shares following the split of the Fluxys Belgium share. Consequently the result per share in Euro has been adjusted for the year 2011.

Note 12. Property, plant and equipment

Movements in property, plant and equipment	Land	Buildings	Gas transmission networks *	Gas storage facilities *
Gross carrying amount				
At 31-12-2010	**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**
Additions	1,928	625	30,149	11,108
Government grants	0	0	-3,695	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-181	-330	-17,269	-2,646
Internal transfers	0	172	58,393	78,578
Changes in consolidation scope and assets intended for sale	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2012	**42,012**	**132,910**	**3,212,534**	**381,145**

** subject to the Gas Act*

						In thousands of €
	LNG-terminal *	Ship	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
	997,032	100,443	45,474	39,690	489,800	4,830,492
	1,146	0	49	2,797	117,932	253,309
	0	0	0	0	-43,374	-43,374
	0	0	0	0	0	0
	0	0	0	-1,793	-1,406	-18,608
	2,662	0	0	624	-341,026	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	1,000,840	100,443	45,523	41,318	221,926	5,021,819
	463	1,365	36	3,415	57,285	106,374
	0	0	0	0	0	-3,695
	0	0	0	0	0	0
	0	0	-2,559	-1,584	-40	-24,609
	0	0	0	0	-137,143	0
	0	-101,808	0	0	0	-101,808
	0	0	0	0	0	0
	1,001,303	0	43,000	43,149	142,028	4,998,081

Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks *	Gas storage facilities *
Depreciation and impairment losses				
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**
Depreciation	0	-4,810	-94,497	-9,333
Depreciation on subsidies received	0	0	2,894	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	97	17,261	1,321
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets intended for sale	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2012	**0**	**-68,859**	**-1,608,046**	**-171,548**
Net carrying amount at 31-12-2012	**42,012**	**64,051**	**1,604,488**	**209,597**
Net carrying amount per 31-12-2011	**40,265**	**68,297**	**1,611,252**	**130,569**

* subject to the Gas Act

In duizenden euro's

LNG-terminal *	Ship	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
-618,332	**-17,366**	**-45,001**	**-24,745**	**0**	**-2,385,987**
-21,683	-2,632	-114	-3,357	0	-120,410
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,645	0	13,426
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**	**-2,492,971**
-21,929	-2,558	-106	-3,597	0	-136,830
0	0	0	0	0	2,894
0	0	0	0	0	0
0	0	2,558	1,581	0	22,818
0	0	0	0	0	0
0	22,556	0	0	0	22,556
0	0	0	0	0	0
-661,944	**0**	**-42,663**	**-28,473**	**0**	**-2,581,533**
339,359	**0**	**337**	**14,676**	**142,028**	**2,416,548**
360,825	**80,445**	**408**	**14,861**	**221,926**	**2,528,848**

Movements in property, plant and equipment	Land	Buildings	Gas transmission networks*	Gas storage facilities*
Net carrying amount at 31-12-2012, including :	**42,012**	**64,051**	**1,604,488**	**209,597**
At cost	42,012	64,051	1,604,488	209,597
At revaluation	0	0	0	0
Net carrying amount at 31-12-2012 of assets held under finance leases	0	138	29,134	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. The interest held by Fluxys & Co in the LNG ship was transferred to the item 'Assets intended for sale' (see Note 3)..

In 2012, Fluxys Belgium group made investments of €106,374 thousand, of which the main items are the following:

- laying of transmission pipelines (€27,590 thousand),
- compressor stations (€27,873 thousand),
- storage facilities at Loenhout (€10,546 thousand) and
- Open Rack Vaporizer facility in the LNG terminal (€11,373 thousand).

In relation to investments that are currently in progress or planned, the group has commitments under Engineering, Procurement and Construction contracts amounting to €22.8 million at 31 December 2012.

During the fiscal year 2012, Fluxys Belgium obtained grants worth €3,695 thousand for the RTR2 and North-South investments.
Disposals of the period mainly relate to parts of compressor stations which had reached the end of their useful life, and the cushion gas at Loenhout.

					In thousands of €
LNG-terminal *	Ship	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction and instalments paid	Total
339,359	**0**	**337**	**14,676**	**142,028**	**2,416,548**
339,359	0	337	14,676	142,028	2,416,548
0	0	0	0	0	0
0	0	0	131	0	29,403
0	0	0	0	0	110

The depreciation charge for the period amounts to €133,936 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	Application software	Balance of agreed Fluxys & Co consideration	CO_2 emission rights	Total (In thousands of €)
Gross carrying amount				
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			
Additions, of which:	10,655			10,655
Internally developed	9,704			
Purchased from third parties	951			
Acquisitions through business combinations				0
Disposals and retirements	-16,817			-16,817
Translation adjustments				0
Changes in consolidation scope				0
Others				0
At 31-12-2012, of which:	**44,924**	**0**	**0**	**44,924**
Internally developed software	37,686			
Software purchased from third parties	7,238			

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 31-12-2010, 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
Impairment losses		-234,572		-234,572
Disposals and retirements	8,690	249,702		258,392
Translation adjustments				
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			
Amortisation	-8,894			-8,894
Impairment losses				
Disposals and retirements	16,817			16,817
Translation adjustments				
Changes in consolidation scope				
Others				
At 31-12-2012, of which:	-27,900	0	0	-27,900
Internally developed software	-22,907			
Software purchased from third parties	-4,993			

Movements in the carrying amount of intangible assets	Application software	Balance of agreed Fluxys & Co consideration	CO_2 emission rights	In thousands of € Total
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			
Net carrying amount at 31-12-2012	**17,024**	**0**	**0**	**17,024**
Internally developed software	14,779			
Software purchased from third parties	2,245			

Intangible assets comprise the net carrying amount of application software and of emission rights.

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 (see Note 3).

The gas transmission facilities in Belgium are included in the scheme for greenhouse gas emission allowance trading. Accordingly, Fluxys Belgium group was given free CO_2 emission rights amounting to 439,620 tonnes of CO_2 for the compression, storage, blending and terminalling activity sites in 2012. The value of the unused rights at 31 December 2012 amounted to €1,782 thousand, which corresponds to 277,138 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 Belgium group had no goodwill at the balance sheet date.

Note 15. Investments in associates

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

Note 16. Other financial assets

Other financial assets	Note	31-12-2012	31-12-2011
			In thousands of €
Shares at cost	16.1	24	0
Other financial assets at cost	16.2	3,938	42
Total		**3,962**	**42**

16.1. Movement in other financial assets – Shares at cost	31-12-2012	31-12-2011
		In thousands of €
Opening balance	**0**	**0**
Gross amount	0	0
Uncalled amounts	0	0
Accumulated impairment losses	0	0
Acquisitions	24	0
Disposals	0	0
Change in ownership percentage	0	0
Translation adjustments	0	0
Capital increases	0	0
Other	0	0
Closing balance	**24**	**0**
Gross amount	24	0
Uncalled amounts	0	0
Accumulated impairment losses	0	0

The shares acquired by Fluxys Belgium group in 2012, concern the company Prisma European Capacity Platform incorporated by the main operators of the European transmission systems.

16.2. Movement in other financial assets – other assets at cost		In thousands of €
	31-12-2012	31-12-2011
Opening balance	**42**	**39**
Gross amount	42	39
Accumulated impairment losses	0	0
Additions	3,896	3
Repayments	0	0
Translation adjustments	0	0
Others	0	0
Closing balance	**3,938**	**42**
Gross amount	3,938	42
Accumulated impairment losses	0	0

Other assets at cost consist of guarantees paid by the group in relation to the exercise of its activities. The increase in 2012 is mainly due to the guarantees paid to APX-Endex to obtain access to the gas exchange.

Note 17. Finance lease receivables

Finance lease receivables			In thousands of €
	31-12-2012	31-12-2011	Change
Non-current receivables	22,850	25,303	-2,453
Current receivables	2,453	2,067	386
Total	**25,303**	**27,370**	**-2,067**

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 31-12-2012				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance lease receivables	2,453	15,627	7,223	25,303
Total	**2,453**	**15,627**	**7,223**	**25,303**
Finance lease receivables :				
Present value of minimum lease payments at market rate	2,640	16,297	7,319	26,256
Total minimum lease payments	2,640	16,297	7,319	26,256
Interest	187	670	96	953

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

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	31-12-2012	31-12-2011	Change
Regulatory assets	18.1	32,241	41,175	-8,934
Total		**32,241**	**41,175**	**-8,934**

18.1. This item includes the regulatory receivable that arose in 2010 following the closure of the peak-shaving plant at Dudzele.

Maturity of non-current loans and receivables at 31-12-2012			In thousands of €
	Between one and five years	Over five years	Total
Regulatory assets	0	32,241	32,241
Total	**0**	32,241	32,241

Note 19. Inventories

Carrying amount of inventories			In thousands of €
	31-12-2012	31-12-2011	Change
Supplies and consumables	**38,924**	**35,506**	**3,418**
Gross carrying amount	44,155	41,440	2,715
Impairment	-5,231	-5,934	703
Goods held for resale	**12,162**	**7,736**	**4,426**
Gross carrying amount	12,162	7,736	4,426
Impairment	0	0	0
Contracts in progress	**122**	**93**	**29**
Gross carrying amount	122	93	29
Impairment	0	0	0
Total	**51,208**	**43,335**	**7,873**

The inventory of supplies and consumables increased by €7,873 thousand over the year to 31 December 2012. This change is mainly shown on the one hand in the inventories for the materials connected to the transmission network and on the other hand in the natural gas inventories.

Inventories – Impact of movements on net profit			In thousands of €
	31-12-2012	31-12-2011	Change
Inventories – purchased or used	7,170	-9,460	16,630
Impairment	703	893	-190
Total	**7,873**	**-8,567**	**16,440**

Note 20. Current tax receivable

Current tax receivable				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Recoverable income taxes		1,064	2,673	-1,609
Total	20.1	**1,064**	**2,673**	**-1,609**

20.1. Current tax receivable includes recoverable income taxes. The decrease of these receivables is due to the transfer of the taxes to be claimed back from Fluxys & Co to the item "Assets intended for sale" (see Note 3).

Note 21. Trade and other receivables

Trade and other receivables				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Gross trade receivables		47,931	19,126	28,805
Impairment		-1,515	-1	-1,514
Net trade receivables	21.1	**46,416**	**19,125**	**27,291**
Other receivables	21.2	4,099	71,659	-67,560
Total		**50,515**	**90,784**	**-40,269**

21.1 Fluxys Belgium 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 €
	31-12-2012	31-12-2011	Change
Receivables < 3 months	46,409	18,388	28,021
Receivables 3 - 6 months	7	0	7
Receivables > 6 months	0	0	0
Disputed or doubtful receivables	0	737	-737
Total	**46,416**	**19,125**	**27,291**

The increase of trade receivables on 31 December 2012 is connected to the implementation of a new transmission contract which provides a payment term of 30 days after receipt by the customer of the invoice.

Disputed or doubtful receivables mainly concern grid users. These receivables were subject in 2012 to impairment amounting to 100%.

21.2 At the end of 2011 'other receivables' consisted of the recoverable withholding taxes and VAT, and a claim arising from the downward-revised acquisition price for the transmission business of Distrigas & C°. The latter was received at the beginning of 2012.

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

Current 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 €
	31-12-2012	31-12-2011	Change
Short-term investments	**48,541**	**41,984**	**6,557**
Cash and cash equivalents	**213,480**	**405,622**	**-192,142**
Cash equivalents and cash pooling	210,608	401,221	-190,613
Short-term deposits	990	2,824	-1,834
Bank balances	1,876	1,571	305
Cash in hand	6	6	0
Total	**262,021**	**447,606**	**-185,585**

In 2012, the average rate of return on short-term investments, cash and cash equivalents was 0.83%, compared to 1.19% in 2011. The average capital invested amounted to €515.44 million in 2011 and fell in 2012 to €378.32 million.

The distribution of available reserves in May 2012 mainly explains the decrease in cash and cash equivalents.

Note 23. Other current assets

Other current assets			In thousands of €
	31-12-2012	31-12-2011	Change
Accrued income	1,117	1,182	-65
Prepaid expenses	4,037	4,625	-588
Total	**5,154**	**5,807**	**-653**

Other current assets mainly comprise prepaid expenses amounting to €4,037 thousand (insurance, rent, etc.), with various items of accrued income accounting for the remainder.

Note 24. Equity

Equity amounted to €828,062 thousand at 31 December 2012. The €534,754 thousand decrease since the previous year is due to the 2012 dividend payout (-€623,942 thousand) of which the amount exceeds the overall result for the period (+€89,188 thousand).

Note on parent company shareholding	Ordinary shares	Preferred shares	Total
I. Movements in number of shares			
1. Number of shares, beginning balance	70,263,501	0	70,263,501
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	70,263,501	0	70,263,501
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

Following the split of the share in May 2012, the share capital of Fluxys Belgium SA is represented by 70,263,501 nominal shares with no par value, 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, which does not belong to any of the above categories and shall be referred to hereinafter as the ‘specific share’. In accordance with the current articles of association, this ‘specific share’ carries specific rights. These specific rights remain attached to this share in addition to the common rights attached to the ordinary shares of Fluxys Belgium (former Distrigas), as long as this share is owned by the Belgian State, as established in Articles 3 to 5 of the Royal Decree of 16 June 1994. These specific rights are exercised by the Federal Minister responsible for energy. In addition to these specific rights this ‘specific share’ also entitles to receive 100 times the dividend or any other distribution by the company to its shareholders, than the ones attached to the category B or D shares.

Note 25. Interest-bearing borrowings

Non-current interest-bearing borrowings				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Finance leases	25.1	33,866	47,684	-13,818
Debentures	25.2	698,782	349,407	349,375
Other borrowings	25.3	434,000	442,500	-8,500
Other liabilities	25.4	291,445	218,750	72,695
Total		**1,458,093**	**1,058,341**	**399,752**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

Current interest-bearing borrowings				In thousands of €
	Note	31-12-2012	31-12-2011	Change
Finance leases	25.1	13,818	31,069	-17,251
Debentures	25.2	10,237	0	10,237
Other borrowings	25.3	13,813	79,046	-65,233
Other liabilities	25.4	53,261	38,788	14,473
Total		**91,129**	**148,903**	**-57,774**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

25.1. On 31 December 2012, Finance lease payables include the contract Zeebrugge-Zelzate/Eynatten (RTR) border-to-border transmission facilities. In accordance with IAS 17, the lease contract signed with GIE Finpipe in relation to RTR facilities is accounted for as finance lease. The RTR contract has a 17-year term that expires in 2015. When this contract expires, Fluxys Belgium will be entitled to exercise its purchase options on these facilities. The contract relating to Zeebrugge-Blaregnies (Troll) border-to-border transmission facilities has expired in 2012. Fluxys Belgium has exercised its purchase option in relation thereto.

25.2. In December 2009 and April 2012, Fluxys Belgium issued a €350 million bond, providing a gross annual coupon of respectively 4.125% and 4.25%. They are eligible for trading on the regulated Euronext Brussels market.

25.3. Other borrowings include:

- a 10-year loan amounting to €42,500 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,
- accrued interest amounting to €5,313 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 31-12-2012				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance leases	13,818	33,866	0	47,684
Debentures	10,237	349,557	349,225	709,019
Other borrowings	13,813	108,000	326,000	447,813
Other liabilities	53,261	291,445	0	344,706
Total	**91,129**	**782,868**	**675,225**	**1,549,222**
Supplementary information				
Finance leases :				
Present value of minimum lease payments at market rate	15,674	34,887	0	50,561
Total minimum lease payments	15,934	35,926	0	51,860
Interests	2,116	2,060	0	4,176

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

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 31-12-2011	**10,503**	**27,928**	**38,431**
Additions	55		55
Use	-7,207	-7,351	-14,558
Unwinding of the discount		825	825
Provisions at 31-12-2012 of which:	**3,351**	**21,402**	**24,753**
Non-current provisions	2,305	4,579	6,884
Current provisions	1,046	16,823	17,869

The fiscal year's movements in the provisions mainly relate on the one hand to the use of the provision made in 2011 to cover the payment of compensation to victims of the Ghislenghien accident and on the other hand the use of the provisions covering the costs of final decommission of pipelines.

26.2. Provisions for employee benefits

Provisions for employee benefits	In thousands of €
Provisions at 31-12-2011	**58,158**
Additions	6,428
Use	-15,320
Surpluses	0
Unwinding of the discount	6,420
Actual gains / losses recognised in profit / loss	1,272
Expected return on plan assets	-5,405
Actual gains / losses directly recognised in equity	-526
Provisions at 31-12-2012 of which :	**51,027**
Non-current provisions	47,686
Current provisions	3,341

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. Details on these provisions can be found in 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	6,483	-29,878	-23,395
Financial profit (loss)	8,517	-5,405	3,112
Total	**15,000**	**-35,283**	**-20,283**

Maturity of provisions at 31-12-2012				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Litigation and claims	1,046	0	2,305	3,351
Environment and site restoration	16,823	0	4,579	21,402
Subtotal	**17,869**	**0**	**6,884**	**24,753**
Employee benefits	3,341	13,363	34,323	51,027
Total	**21,210**	**13,363**	**41,207**	**75,780**

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**

Discount rate

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

	31-12-2012	31-12-20110
Between one and five years	0.83%	2.2%
Between six and ten years	1.93%	3.4%
Over ten years	2.75%	4.0%

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 group with regard to accidents.

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. Given the actual profitability being superior to the percentage guaranteed as a minimum, no provision has been accounted for.

Fluxys Belgium 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 Belgium group — In thousands of €

	31-12-2012			31-12-2011		
	Pensions	Other benefits	Total	Pensions	Other benefits	Total
Changes in defined benefit obligation						
Defined benefit obligation at beginning of year	-137,434	-37,525	-174,959	-144,302	-33,849	-178,151
Service costs	-4,954	-1,196	-6,150	-4,979	-1,192	-6,170
Interest costs	-4,953	-1,467	-6,420	-5,865	-1,533	-7,398
Participants' contributions	-278	0	-278	-276	0	-276
Actuarial gains and losses	-791	-4,801	-5,592	-285	-3,174	-3,459
Benefits paid	8,655	2,029	10,684	16,801	1,877	18,678
Past service costs	0	0	0	0	0	0
Curtailments	0	0	0	0	0	0
Other	-1,047	-287	-1,334	1,472	346	1,818
Defined benefit obligation at end of year	**-140,802**	**-43,247**	**-184,049**	**-137,434**	**-37,525**	**-174,959**
Wholly or partially funded	-130,575	0	-130,575	-127,095	0	-127,095
Unfunded	-10,227	-43,247	-53,474	-10,339	-37,525	-47,864
Changes in plan assets						
Fair value of plan assets at beginning of year	116,801	0	116,801	115,261	0	115,261
Expected return on plan assets	5,405	0	5,405	5,353	0	5,353
Actuarial gains and losses	5,288	0	5,288	-3,673	0	-3,673
Employer's contributions	13,013	2,029	15,042	17,561	1,877	19,438
Participants' contributions	278	0	278	276	0	276
Benefits paid	-8,655	-2,029	-10,684	-16,801	-1,877	-18,678
Settlements	0	0	0	0	0	0
Other	892	0	892	-1,176	0	-1,176
Fair value of plan assets at end of year	**133,022**	**0**	**133,022**	**116,801**	**0**	**116,801**
Actual return on plan assets	10,693	0	10,693	1,680	0	1,680
Defined benefit obligation	-140,802	-43,247	-184,049	-137,434	-37,525	-174,959
Fair value of plan assets	133,022	0	133,022	116,801	0	116,801
Deficit or surplus	**-7,780**	**-43,247**	**-51,027**	**-20,633**	**-37,525**	**-58,158**
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	**-7,780**	**-43,247**	**-51,027**	**-20,633**	**-37,525**	**-58,158**

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 €
	31-12-2012	**31-12-2011**
Service costs	-6,150	-6,172
Interest costs	-6,420	-7,397
Expected return on plan assets	5,405	5,353
Actuarial gains and losses recognised in profit	-1,272	1,047
Past service costs	0	0
Profit or loss on curtailments and settlements	0	0
Asset ceiling	0	0
Total	**-8,437**	**-7,169**

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 2012, the cumulative actuarial losses directly recognised in equity and related deferred taxes amounted to €13,850 thousand compared to cumulative actuarial losses of €14,706 thousand at the end of 2011, which represents a movement of €856 thousand for the fiscal year.

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

		In %
	31-12-2012	31-12-2011
Shares	23%	24%
Bonds	55%	55%
Property	5%	5%
Other (including monetary assets)	17%	16%
Total	**100%**	**100%**

Actuarial assumptions

The actuarial assumptions for Fluxys Belgium group have been determined in consultation with qualified actuaries. The principal assumptions are:

Principal actuarial assumptions				In %
	31-12-2012		31-12-2011	
	Pensions	Other benefits	Pensions	Other benefits
Discount rate	2.75%	2.75%	4.00%	4.00%
Expected return on plan assets	4.50%	-	4.80%	-
Expected salary increase	4.00%	4.00%	4.00%	4.00%
Increase in medical costs	-	3.00%	-	3.00%

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	-162	121
Defined benefit obligation	-2,191	1,720

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

Change over five periods	2012	2011	2010	2009	2008
Defined benefit obligation	-184,049	-174,959	-178,151	-172,901	-173,808
Fair value of plan assets	133,022	116,801	115,261	103,394	96,823
Deficit or surplus	-51,027	-58,158	-62,890	-69,507	-76,985
Experience adjustments resulting from :					
defined benefit obligation	20,836	4,240	4,351	10,962	5,044
plan assets	5,288	-3,673	2,793	424	-22,984

The group expects to contribute €13,055 thousand to its defined benefit pension plans in 2013.

Note 28. Deferred tax assets and liabilities

Recognised deferred tax liabilities			In thousands of €
	31-12-2012	31-12-2011	Change
Valuation of property, plant and equipment	323,577	367,728	-44,151
Income to be received	5,475	5,727	-252
Fair value of financial instruments	169	8,102	-7,933
Tax credits	0	0	0
Provisions for employee benefits or provisions not accounted for under IFRS	26,137	20,301	5,836
Other normative differences	390	1,591	-1,201
Total	**355,748**	**403,449**	**-47,701**

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.

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 €18 thousand of deferred tax liabilities.

Movement for the period		In thousands of €
	Note	Deferred tax liabilities
At 31-12-2011		**403,449**
Deferred tax expenses – income statement	9	-11,823
Deferred tax expenses – other comprehensive income		179
Business combinations		0
Changes in the consolidation scope		0
Other	28.1	-36,057
At 31-12-2012		**355,748**

28.1. At the end of 2012, the deferred tax expenses relating to the company Fluxys & Co were transferred to the item 'Liabilities related to the assets held for sale' (see Note 3).

Note 29. Current tax payable

Current tax payable			In thousands of €
	31-12-2012	31-12-2011	Change
Income tax payable	49,388	53,264	-3,876
Total	**49,388**	**53,264**	**-3,876**

Current tax payable comprises income tax payable. The change in this item is due to the advance tax payments made for the relevant year.

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 €
	31-12-2012	31-12-2011	Change
Suppliers	48,832	75,885	-27,053
Payroll and related items	24,548	23,875	673
Other amounts payable	532	980	-448
Total	**73,912**	**100,740**	**-26,828**

The change in trade debts to suppliers is due to the decrease of investments made in 2012 in property, plant and equipment.

Note 31. Other current liabilities

Other current liabilities			In thousands of €
	31-12-2012	31-12-2011	Change
Deferred income	1,981	1,787	194
Accrued expenses	240	625	-385
Total	**2,221**	**2,412**	**-191**

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 Belgium SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys Belgium 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 Belgium SA (formerly Distrigas).

The risk incurred by Fluxys Belgium 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 Belgium 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 2008 and 2009, amendment notices for the tax years 2005 and 2006 were issued by the tax authorities. The resulting tax assessments amounting to €1,064 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 2012, the quantities of gas involved amounted to 4,682,963 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 2012, the guarantees received amounted to €115,218 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 €420 thousand at 31 December 2012.

At 31 December 2012, other guarantees amounted to €108 thousand.

32.5. Long-term leases and availability agreements

To meet the requirements of its activities Fluxys Belgium signed various long-term operating leases with minimum future lease payments of €999 thousand at 31 December 2012.

Maturity of minimum future payments in respect of lease payments under non-cancellable operating leases		In thousands of €
	At 31-12-2012	At 31-12-2011
Up to one year	571	571
One to five years	428	999
Over five years	0	0
Total	999	1,570

Fluxys Belgium group also has availability agreements (including so-called domanial concessions) with third parties for sites on which facilities of the group are being built. These agreements expire between 2014 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 Belgium 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 Belgium on 29 September 1998.

32.8. Commitments under the capacity subscription agreements

The Capacity Subscription Agreements (CSA) concluded with the terminal users of the Zeebrugge LNG terminal provide for 1,491 slots to be available from 2013 to 2027.

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

Fluxys Belgium 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 2012. Like the debentures, these loans contain a *pari passu* clause.

32.10. Environmental policy

Fluxys Belgium 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 2012.

This programme is monitored by the internal environmental coordination unit responsible, among others, for implementing and monitoring Fluxys Belgium's environmental policy.

32.11. Other commitments made and received

Other commitments have been made and received by Fluxys Belgium group, but their potential impact is immaterial.

Note 33. Financial instruments

Principles for managing financial risks

In the course of conducting its activities, Fluxys Belgium 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 Belgium 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 group'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 2012, current investments, cash and cash equivalents amounted to €262,021 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 customers.

In view of the concentration risk it must be noted that three customers contribute for 72% to the revenue.

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). As a reminder, this interest was sold in January 2013.

Therefore, a sensitivity analysis would not be representative of the risk associated with these financial instruments.

Interest rate risk

The group's debt mainly consists of fixed interest rate loans amounting to €1,156,832 thousand at 31 December 2012 and maturing between 2015 and 2034 and finance lease payables with a duration of 17 years.

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 under 'Other financial liabilities' and amounted to €990 thousand at 31 December 2012. Their use and the change in their fair value over the year had a positive impact of €999 thousand on the result for the period. The hedged notional amount amounted to €16.6 million and maturities fall between 2013 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 Belgium 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

Fluxys Belgium had a put option on SUEZ-Tractebel (or any other company it designates within the SUEZ-Tractebel group) for the company Fluxys & Co.

This option was exercised and the company Fluxys & Co was sold on 18 January 2013 for an amount of €70 million.

For further information, the reader should refer to Note 3.

Summary of financial instruments at balance sheet date							In thousands of €
	31-12-2012	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			**3,962**	**0**	**0**	**55,091**	**0**
Other non-current financial assets	3,962	16	3,962				
Finance lease receivables	22,850	7-17				22,850	
Other non-current assets	32,241	18				32,241	
II. Current assets			**0**	**213,480**	**48,541**	**52,968**	**0**
Other current financial assets	0	33			0		
Finance lease receivables	2,453	7-17				2,453	
Trade and other receivables	50,515	21				50,515	
Short-term investments	48,541	7-22			48,541		
Cash and cash equivalents	213,480	7-22		213,480			
Total financial instruments – assets	**374,042**		**3,962**	**213,480**	**48,541**	**108,059**	**0**
II. Non-current liabilities			**1,458,093**	**0**	**990**	**0**	**0**
Interest-bearing liabilities	1,458,093	8-25	1,458,093				
Other non-current liabilities	990	33			990		
III. Current liabilities			**91,129**	**0**	**0**	**0**	**73,912**
Interest-bearing liabilities	91,129	8-25	91,129				
Other financial liabilities	0	33			0		
Trade and other payables	73,912	30					73,912
Total financial instruments – liabilities	**1,624,124**		**1,549,222**	**0**	**990**	**0**	**73,912**

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**

Fair value measurement hierarchy

- Level 1: The fair value of current 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 2012, as in the previous fiscal year.

Note 34. Related parties

The company Fluxys SA has control over Fluxys Belgium SA.

Transactions with related parties have mainly involved services provided to Fluxys as well as transactions with Fluxys Finance SA, in which the management of group Fluxys' cash funds and financing is centralised.

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Related parties								In thousands of €
	31-12-2012				31-12-2011			
	Joint ventures	Associates	Other related parties	Total	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	**0**	**0**	**141,070**	**141,070**	**0**	**0**	**379,765**	**379,765**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0	0	0	0
1.2. Loans	0	0	0	0	0	0	0	0
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**	**512**	**512**	**0**	**0**	**68,444**	**68,444**
3.1. Trade receivables	0	0	512	512	0	0	444	444
3.2. Finance lease contracts	0	0	0	0	0	0	0	0
3.3. Other receivables	0	0	0	0	0	0	68,000	68,000
4. Cash and cash equivalents	**0**	**0**	**140,558**	**140,558**	**0**	**0**	**311,321**	**311,321**
5. Other current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**0**	**0**	**3**	**3**	**0**	**0**	**0**	**0**
1. Interest-bearing liabilities (current and non-current)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
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	0	0
2. Trade and other payables	**0**	**0**	**3**	**3**	**0**	**0**	**0**	**0**
2.1. Trade payables	0	0	3	3	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**	**4,706**	**4,706**	**0**	**0**	**3,131**	**3,131**
4. Services received (-)	**0**	**0**	**-120**	**-120**	**0**	**0**	**0**	**0**
5. Financial income	**0**	**0**	**1,417**	**1,417**	**0**	**0**	**3,460**	**3,460**
6.Directors' and senior executives' remuneration			**2,017**	**2,017**			**3,234**	**3,234**
Short-term employee benefits			1,744	1,744			2,765	2,765
Post-employment benefits			273	273			469	469

Note 35. Segment information

Operating segments

Fluxys Belgium 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.

Terminalling activities comprise all activities subject to the Gas Act related to the LNG terminal at Zeebrugge in Belgium.

The segment 'other activities' comprises other services rendered by Fluxys Belgium group such as participating in the IZT and ZPT terminals[6] in Belgium chartering an LNG ship and work for third parties.

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.

[6] Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

Segment income statement at 31-12-2012						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Inter-segment transfers	Total
Operating revenue						
Sales and services to external customers	470,643	35,803	88,918	30,942	0	626,306
Transactions with other segments	3,599	4,885	4,427	7,487	-20,398	0
Other operating income	8,644	4,714	128	13,258	0	26,744
Consumables, merchandise and supplies used	-36,003	-1,392	-5,855	-1,115	0	-44,365
Miscellaneous goods and services	-132,105	-10,075	-21,555	-25,272	20,398	-168,609
Employee expenses	-95,866	-10,115	-14,016	-5,371	0	-125,368
Other operating expenses	-4,196	-1,157	-2,114	-253	0	-7,720
Depreciation and amortisation	-107,166	-9,673	-22,620	-3,371	0	-142,830
Provisions for risks and charges	3,420	376	142	19,457	0	23,395
Impairment losses	-811	0	0	0	0	-811
Profit from continuing operations	**110,159**	**13,366**	**27,455**	**35,762**	**0**	**186,742**
Gain/loss from disposal of financial assets	0	0	0	0	0	0
Changes in the fair value of financial instruments	999	0	0	2,401	0	3,400
Financial income	861	105	188	10,070	0	11,224
Financial expenses	-41,510	-5,092	-2,990	-11,035	0	-60,627
Profit/loss from continuing operations after net financial result	**70,509**	**8,379**	**24,653**	**37,198**	**0**	**140,739**
Income tax expense						-51,898
Profit/loss for the period						**88,841**

Profit from continuing operations in the 'Transmission', 'Storage' and 'Terminalling' segments was down on 2011, due to on the one hand the change in the rates of Belgian government bonds (OLOs) having a negative impact on the authorised return on invested capital. On the other hand, the distribution in 2012 of available reserves to the shareholders of Fluxys Belgium has caused a decrease of the equity, directly leading to a decrease of the net result of €3.7 million.

Segment balance sheet at 31-12-2012						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Unallocated	Total
Property, plant and equipment	1,808,157	217,687	377,543	13,161	0	2,416,548
Intangible assets	16,806	186	32	0	0	17,024
Goodwill	0	0	0	0	0	0
Inventories	50,865	0	221	122	0	51,208
Other current financial assets	0	0	0	0	0	0
Financial lease receivables	0	0	0	25,303	0	25,303
Net trade receivables	43,902	322	395	1,797	0	46,416
Other assets	0	0	0	0	420,724	420,724
						2,977,223
Interest-bearing liabilities	1,037,488	127,618	110,498	273,618	0	1,549,222
Other financial liabilities	990	0	0	0	0	990
Other liabilities	0	0	0	0	1,427,011	1,427,011
						2,977,223
Investments in property, plant and equipment for the fiscal year	75,768	11,994	17,018	1,594	0	106,374
Investments in intangible assets for the fiscal year	10,647	3	5	0	0	10,655

Segment income statement at 31-12-2011						In thousands of €
	Transmission	Storage	Terminalling	Other activities	Inter-segment transfers	Total
Operating 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	-4,946	0	-131,028
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	18,601	0	184,477
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**

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

Note 36. Directors' and senior executives' remuneration

Pursuant to Article 11 of the Articles of Association, the Board of Directors of Fluxys Belgium SA comprises at least three and no more than 24 non-executive directors. Two representatives of the federal government also attend 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 representatives to €360,000 per annum indexed. As from 1 January 2006, the directors and government representatives also receive an attendance fee.

Pursuant to Article 17.5 of the Articles of Association of Fluxys Belgium, 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 Belgium 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

Sale of Fluxys & Co in 2013

At the end of the fiscal year, the group has decided to proceed to the sale of the subsidiary Fluxys & Co. The assets and liabilities of this company consist of a 49% stake in the Norwegian partnership Patrederiet BW Gas Fluxys DA, which owns BW GDF Suez LNG Boston and the financial instruments related thereto. For this reason these assets and liabilities were transferred on 31 December 2012 to “Assets intended for sale” and “Liabilities related to assets intended for sale”.

Since LNG shipping is not a core business of the group, Fluxys Belgium has exercised the put option in respect of GDF Suez. On 18 January 2013 the company Fluxys & Co was sold for an amount of €70 million. The contribution of this company to the net result of the fiscal year amounts to €3.6 million. The result of this company is part of the segment “Other activities” in the segment information.

IV. Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of Fluxys Belgium SA/NV ("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. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 2,977,223 thousand EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 88,841 thousand EUR.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's 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, the auditor considers 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Fluxys Belgium SA/NV give a true and fair view of the group's net equity and financial position as of 31 December 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify 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, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the context of our mandate.

Diegem, 21 March 2013

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees


CAT

4. Statutory accounts of Fluxys Belgium 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 Belgium SA.

The statutory auditor issued an unqualified audit opinion on the annual accounts of Fluxys Belgium SA.

The annual accounts of Fluxys Belgium SA and the auditor’s report have been filed with the National Bank of Belgium.

They are available on the Fluxys Belgium website (www.fluxys.com/belgium) and can also be obtained free of charge upon request at the following address:

Fluxys Belgium SA
Communication Department
Avenue des Arts 31, 1040 Brussels – Belgium

I. Balance sheet

Assets		In thousands of €
	31-12-2012	31-12-2011
Fixed assets	**2,299,926**	**2,312,139**
Formation expenses	1,173	533
Intangible fixed assets	16,992	15,224
Tangible fixed assets	2,122,969	2,141,020
Financial fixed assets	158,792	155,362
Current assets	**244,751**	**488,067**
Amounts receivable after more than one year	0	0
Stock and contracts in progress	50,988	43,158
Amounts receivable within one year	57,302	92,867
Current investments	990	1,220
Cash at bank and in hand	97,565	305,323
Deferred charges and accrued income	37,906	45,499
Total	**2,544,677**	**2,800,206**

Equity and liabilities		In thousands of €
	31-12-2012	31-12-2011
Equity	**852,474**	**893,958**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	675,135	719,383
Reserves	18,324	15,084
Accumulated profits	46,819	47,823
Capital subsidies	51,886	51,358
Provisions and deferred taxes	**63,952**	**79,908**
Provisions for risks and charges	35,546	51,763
Deferred taxes	28,406	28,145
Amounts payable	**1,628,251**	**1,826,340**
Amounts payable after more than one year	1,158,509	854,540
Amounts payable within one year	271,252	876,981
Accrued charges and deferred income	198,490	94,819
Total	**2,544,677**	**2,800,206**

II. Income statement

Income statement	In thousands of €	
	31-12-2012	31-12-2011
Operating income	579,122	648,508
Operating charges	446,561	409,517
Operating profit	**132,561**	**238,991**
Financial income	37,717	102,928
Financial charges	49,949	43,358
Net financial income	**-12,232**	**59,570**
Profit on ordinary activities before taxes	**120,329**	**298,561**
Extraordinary income	0	6
Extraordinary charges	490	577
Net extraordinary income / (expense)	**-490**	**-571**
Profit for the period before taxes	**119,839**	**297,990**
Transfer from deferred taxes	**994**	**519**
Income taxes	**-48,277**	**-141,285**
Profit for the period	**72,556**	**157,224**
Transfer from untaxed reserves	**21**	**0**
Profit for the period available for appropriation	**72,577**	**157,224**

III. Appropriation account

Appropriation account		In thousands of €
	31-12-2012	31-12-2011
Profit to be appropriated	**120,400**	**210,375**
Profit for the period available for appropriation	72,577	157,224
Profit carried forward from the previous period	47,823	53,151
Transfer from equity	**42,101**	**464,831**
From reserves	42,101	464,831
Transfer to equity	**3,260**	**3,442**
To the legal reserve	0	0
To the other reserves	3,260	3,442
Result to be carried forward	**46,819**	**47,823**
Profit to be carried forward	46,819	47,823
Profit to be distributed	**112,422**	**623,941**
Dividends	112,422	623,941
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, will be:	1.20€	6.66€

In 2012, no advance on the dividend was paid. The gross unit dividend to be paid out for fiscal year 2012 is €1.60 per split share (€1.20 net). It will be payable from 22 May 2013.

IV. Capital at the end of the period

Capital at the end of the period	
	31-12-2012
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	62,211,101
Dematerialised shares	8,035,000
Bearer shares	17,400

Shareholder structure

Declarant	Date of declaration	Share category	Number of voting rights declared	%
Fluxys	17-09-2010	B/D	63,217,100	89.97

The Belgian State holds one specific share.

V. Income taxes

Income taxes	In thousands of €
	31-12-2012
Breakdown of heading 670/3*	
Income taxes on the result of the current period	47,911
Taxes and withholding taxes due or paid	41,002
Excess of income tax prepayments	0
Estimated additional taxes	6,909
Income taxes on previous periods	367
Additional taxes due or paid	367
Additional taxes (estimated or provided for)	0
Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	120,833
Permanent differences:	20,123
Definitively taxed income	-32,997
Non-deductible expenses	6,000
Notional interest	0
Taxable reserves	46,609
Depreciation of financial fixed assets	490
Transfer from untaxed reserves	21
Total	140,956

** The regularisation of taxes (accounts 77) for an amount of € -1 thousand in 2012 is not registered in this item.*

VI. Workforce

ONSS N°: 030012851238

Joint Commission N°: 326

1. Headcount

A. Employees recorded in the personnel register

1a. During the current period	Total	Men	Women
Average number of employees			
Full-time	938.8	779.0	159.80
Part-time	92.00	36.90	55.10
Total in full-time equivalents (FTE)*	1,008.13	806.63	201.50
Numbers of hours actually worked			
Full-time	1,392,212.38	1,163,993.14	228,219.24
Part-time	105,462.60	40,310.68	65,151.92
Total	1,497,674.98	1,204,303.82	293,371.16
Personnel costs			
Full-time	111,787,401.75	95,370,251.48	16,417,150.27
Part-time	8,336,019.67	3,816,483.38	4,519,536.29
Total	120,123,421.42	99,186,734.86	20,936,686.56
Advantages in addition to wages	1,758,808.67	1,420,219.23	338,589.44

1b. During the previous period	Total	Men	Women
Average number of employees (FTE)*	1,007.37	802.77	204.60
Numbers of hours actually worked	1,495,782.32	1,199,928.65	295,853.67
Personnel costs	125,675,333.02	103,593,568.06	22,081,764.96
Advantages in addition to wages	1,792,419.69	1,447,504.06	344,915.63

** full-time equivalents*

2. At the closing of the period

	Full-time	Part-time	Total full-time equivalents
a. Number of employees	952	99	1,026.31
b. By nature of the employment contract			
Contract for an indefinite period	917	99	991.31
Contract for a definite period	35	0	35.00
Contract for execution of a specifically assigned work	0	0	0.00
Replacement contract	0	0	0.00
c. According to gender and study level			
Men	793	40	822.50
Primary education	0	0	0.00
Secondary education	356	22	372.40
Higher non-university education	196	5	200.00
University education	241	13	250.10
Women	159	59	203.81
Primary education	0	0	0.00
Secondary education	44	16	55.66
Higher non-university education	66	35	92.95
University education	49	8	55.20
d. By professional category			
Manager staff	303	23	320.20
Employees	649	76	706.01
Workers	0	0	0.00
Others	0	0	0.00

B. Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Persons placed at the enterprise's disposal
Average number of persons employed	4.19	0.00
Numbers of hours actually worked	11,588.09	0.00
Costs for the enterprise	401,632.46	0.00

2. Table of movements in personnel during the period

	Full-time	Part-time	Total FTE *
Entries			
a. Number of employees recorded in the personnel register during the year	124	3	126.40
b. By nature of the employment contract			
Contract for an indefinite period	69	3	71.40
Contract for a definite period	55	0	55.00
Contract for execution of a specifically assigned work	0	0	0.00
Replacement contract	0	0	0.00
Departures			
a. Number of employees whose date of leaving is recorded in the personnel register during the year	97	3	98.90
b. By nature of the employment contract			
Contract for an indefinite period	43	3	44.90
Contract for a definite period	54	0	54.00
Contract for execution of a specifically assigned work	0	0	0.00
Replacement contract	0	0	0.00
c. By reason of termination of contract			
Retirement	19	0	19.00
Unemployment with extra allowance from enterprise	0	0	0.00
Dismissal	4	0	4.00
Other reason	74	3	75.90
The number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	0	0	0.00

** full-time equivalents*

3. Information on training provided to employees during the period

	Men	Women
Total of initiatives of formal professional training at the expense of the employer		
Number of employees involved	785.00	189.00
Numbers of actual training hours	27,348.27	3,303.05
Net costs for the enterprise	2,635,982.33	300,757.94
Of which gross costs directly linked to training	2,635,982.33	300,757.94
Of which fees paid and payments to collective funds	0.00	0.00
Of which grant and other financial advantages received (to deduct)	0.00	0.00
Total of initiatives of less formal or informal professional training at the expense of the employer		
Number of employees involved	508.00	109.00
Numbers of actual training hours	6,465.35	887.25
Net costs for the enterprise	507,418.92	68,273.13
Total of initiatives initial professional training at the expense of the employer		
Number of employees involved	0.00	0.00
Numbers of actual training hours	0.00	0.00
Net costs for the enterprise	0.00	0.00

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