FLUXYS
EXCELLENCE IN GAS TRANSPORT

# Fluxys invests a record €393 million in 2010

- **Total net dividend of €336 per share, of which €171 already distributed as non-recurring interim dividend**
- **Restructuring of the group completed**
- **Record level of investment: €393 million in 2010**
- **Transmission for Belgium and other markets in North-Western Europe: all-time high volumes (up 7%)**

## 1. Fluxys group – 2010 results (IFRS)

### 1.1 Consolidation scope: changes in 2010

**Acquisitions**
**Fluxys LNG:** Fluxys SA acquired Electrabel's 6.8% stake in Fluxys LNG. The latter, which provides terminalling services, thus became a wholly owned subsidiary of Fluxys SA with effect from 1 January 2010 in the consolidated financial statements.

**Guimard SA:** The Fluxys group acquired all shares in the company Guimard SA with effect from 1 April 2010 in the consolidated financial statements.

**Restructuring of the Fluxys group**
As announced on 30 June 2010, Fluxys and its majority shareholder Publigas have restructured the Fluxys group. Publigas established Fluxys G (initially Fluxys Holding), a wholly owned subsidiary, to which Publigas transferred its entire 89.97% stake in Fluxys SA on 10 September 2010.

Fluxys subsequently effected the following transactions:
- sale to Fluxys G of its stake in Fluxys Europe BV (formerly Fluxys NL), comprising stakes in Fluxys Deutschland, BBL and Interconnector (the latter two each operating a pipeline between continental Europe and the United Kingdom);
- sale to Fluxys G of its stake in Fluxys Finance SA (formerly Fluxys Europe), responsible for managing Fluxys G's cash funds and financing;
- sale to Fluxys Europe BV of its stakes in Huberator SA (operator of the Zeebrugge Hub spot market), Gas Management Services Ltd (provider of operational support services for natural gas companies active on transmission grids), APX-Endex BV (group of international natural gas and electricity exchanges) and C4Gas SAS (platform for purchasing gas equipment).

## 1.2 Summary consolidated income statement (in € thousands)

| In € thousands | 31-12-2010 | 31-12-2009 |
|---|---|---|
| Revenue | 657,715 | 688,030 |
| Other operating income | 11,488 | 8,360 |
| Consumables, merchandise and supplies used | -34,262 | -30,332 |
| Miscellaneous goods and services | -144,091 | -159,562 |
| Employee expenses | -119,881 | -114,615 |
| Other operating expenses | -39,165 | -9,514 |
| Net depreciation and amortisation | -115,865 | -122,830 |
| Net provisions | -243 | -77,468 |
| Impairment losses | 1,998 | -115 |
| Profit from continuing operations | 217,694 | 181,954 |
| Gain/loss on disposal of financial assets | 121,943 | 198 |
| Change in the fair value of financial instruments | 828 | 668 |
| Financial income | 18,578 | 11,603 |
| Finance costs | -52,728 | -40,554 |
| Profit from continuing operations after net financial result | 306,315 | 153,869 |
| Income tax expense | -58,625 | -48,712 |
| Net profit for the period | 247,690 | 105,157 |
| Fluxys share | 247,355 | 103,242 |
| Non-controlling interests | 335 | 1,915 |
| Basic earnings per share attributable to equity holders of the parent in € | 352.0 | 146.9 |
| Diluted earnings per share attributable to equity holders of the parent in € | 352.0 | 146.9 |

**Statement of comprehensive income**

| In € thousand | 31-12-2010 | 31-12-2009 |
|---|---|---|
| Net profit for the period | 247,690 | 105,157 |
| Actuarial gains/losses on provisions for post-employment benefits | 3,738 | 5,203 |
| Translation adjustments | 97 | 511 |
| Income tax expense on other comprehensive income | -1,271 | -1,768 |
| Other comprehensive income | 2,564 | 3,946 |
| Comprehensive income for the period | 250,254 | 109,103 |
| Fluxys share | 249,919 | 107,181 |
| Non-controlling interests | 335 | 1,922 |

**Operating revenue.** Operating revenue for 2010 was €657,715 thousand compared with €688,030 thousand in 2009, i.e. a decrease of €30,315 thousand.

- Revenue from transmission activities was down on 2009. As a reminder, the new multi-annual natural gas transmission and storage tariffs have been in place for all grid users since 1 January 2010. These tariffs are amongst the most competitive in Europe and are significantly lower than those applied in 2009, which explains the change in revenue from transmission activities. Revenue from storage activities rose on account of a non-recurring item, namely the decision to close the peak-shaving facility in Dudzele. Pursuant to tariff legislation, the decommissioning costs as well as the non-depreciated portion in the tariffs within the decommissioned Regulated Asset Base were booked as regulatory assets.
- Revenue from LNG terminalling remained at a similar level to that of 2009. Terminalling tariffs are also amongst the most competitive in Europe.
- Other operating revenue includes a number of services up to 30 September 2010, the date on which Fluxys Europe, Huberator and GMSL withdrew from Fluxys SA. The corresponding decline of €7,284 thousand is due mainly to the aforementioned changes in the consolidation scope.

**Consolidated net profit.** The consolidated net profit for the period was €247.7 million, an increase of €142.5 million compared to 2009. The main reasons for this increase were the non-recurring items recorded in 2010, namely:

- the sale of stakes by the group generating a capital gain of €121,943 thousand;
- the additional €5,658 thousand generated by the closure of the peak-shaving facility at Dudzele, increased by the non-depreciated portion in the tariffs within the decommissioned Regulated Asset Base.

### 1.3 Summary consolidated balance sheet (in € thousands)

| In € thousands | | 31-12-2010 | 31-12-2009 |
|---|---|---|---|
| **I. Non-current assets** | | **2,827,466** | **2,739,610** |
| | Property, plant and equipment | 2,444,505 | 2,326,330 |
| | Intangible assets | 295,353 | 296,485 |
| | Goodwill | 0 | 3,465 |
| | Other financial assets | 39 | 84,242 |
| | Finance lease receivables | 27,370 | 29,088 |
| | Loans and receivables | 60,199 | 0 |
| **II. Current assets** | | **724,267** | **704,555** |
| | Inventories | 51,902 | 67,851 |
| | Other current financial assets | 24,368 | 23,250 |
| | Finance lease receivables | 1,718 | 1,395 |
| | Income tax receivables | 2,525 | 4,838 |
| | Trade and other receivables | 59,998 | 64,511 |
| | Short-term investments | 18,592 | 16,025 |
| | Cash and cash equivalents | 559,173 | 514,389 |
| | Other current assets | 5,991 | 12,296 |
| **Total assets** | | **3,551,733** | **3,444,165** |

**Non-current assets.** The increase in non-current assets is mainly due to investments in property, plant and equipment during the year (€392,576 thousand), less depreciation, disposals and withdrawals, changes in the consolidation scope (€107,022 thousand) and subsidies received (€34,430 thousand). Most of these investments were in transmission (€308,642 thousand) and storage (€45,720 thousand).

The decline in other financial assets (down €84,203 thousand) is due to the rearrangement of the group structure as detailed above and the associated withdrawal of the stake in Interconnector (UK) Ltd.

In 2010, the item Loans and receivables posted primarily the regulatory assets linked to the decommissioning of the peak-shaving facility in Dudzele (€50,583 thousand).

**Current assets.** The rise in current assets is due mainly to an increase in cash (up €47,351 thousand) as a result of the rearrangement of the group structure, following which the group netted €322.6 million from the sale of subsidiaries. However, Fluxys SA distributed the corresponding surplus of €160.2 million in the form of an interim dividend in December 2010.

| In € thousands | 31-12-2010 | 31-12-2009 |
|---|---|---|
| **I. Equity** | **1,400,717** | **1,388,995** |
| Equity attributable to equity holders of the parent company | 1,400,716 | 1,369,083 |
| *Share capital and share premiums* | *60,310* | *60,310* |
| *Retained earnings* | *1,340,406* | *1,309,992* |
| *Translation adjustments* | *0* | *-1,219* |
| Non-controlling interests | 1 | 19,912 |
| **II. Non-current liabilities** | **1,761,342** | **1,659,646** |
| Interest-bearing liabilities | 1,161,314 | 1,040,580 |
| Provisions | 29,016 | 23,542 |
| Provisions for employee benefits | 58,925 | 65,165 |
| Deferred tax liabilities | 512,087 | 530,359 |
| **III. Current liabilities** | **389,674** | **395,524** |
| Interest-bearing liabilities | 86,366 | 81,998 |
| Provisions | 178,796 | 178,232 |
| Provisions for employee benefits | 3,965 | 4,342 |
| Other current financial liabilities | 3,005 | 3,806 |
| Income tax payables | 15,129 | 11,717 |
| Current trade and other payables | 100,314 | 113,034 |
| Other current liabilities | 2,099 | 2,395 |
| **Total equity and liabilities** | **3,551,733** | **3,444,165** |

**Equity.** (see table Change in equity below)

**Non-current liabilities.** The rise in interest-bearing debts (up €120,734 thousand) is due in part to the issue of commercial papers worth €47,985 thousand and in part to an increase in regulatory liabilities.

**Current liabilities.** The decline in current liabilities is due mainly to changes in Current trade and other payables (down €12,720 thousand), having been affected by the receipt of a significant number of investment invoices in December 2009.

## 1.4 Change in equity (in € thousand)

| | Equity attributable to equity holders of the parent company | Non-controlling interests | Total equity |
|---|---|---|---|
| **CLOSING BALANCE AS AT 31-12-2009** | **1,369,083** | **19,912** | **1,388,995** |
| 1. Profit for the period | 247,355 | 335 | 247,690 |
| 2. Other comprehensive income for the period | 2,564 | 0 | 2,564 |
| 3. Dividends paid | -209,386 | -450 | -209,836 |
| 4. Changes in the consolidation scope | -8,900 | -19,796 | -28,696 |
| **CLOSING BALANCE AS AT 31-12-2010** | **1,400,716** | **1** | **1,400,717** |

As at 31 December 2010, equity held by equity holders of the parent company totalled €1,400,716 thousand. The increase of €31,633 thousand compared with 2009 is due primarily to the comprehensive income for the period attributable to equity holders of the parent company (€249,919 thousand), less dividends paid in 2010 (€49,185 thousand) pursuant to a decision by the Annual General Meeting of Fluxys SA, the interim dividend paid in December 2010 (€160,201 thousand) and the effects of the acquisition of the 6.8% non-controlling interest in Fluxys LNG (€8,900 thousand).

Non-controlling interests fell by €19,911 thousand following the purchase by the group of a 6.8% non-controlling stake in Fluxys LNG and the sale of Huberator.

### 1.5 Summary consolidated cash flow statement (in € thousands)

| | 31-12-2010 | 31-12-2009 |
|---|---|---|
| **Cash at the start of the period*** | **530,414** | **166,658** |
| Cash flows from operating activities (1) | 279,745 | 354,363 |
| Cash flows used in investing activities (2) | -16,939 | -312,070 |
| Cash flows used in financing activities (3) | -215,455 | 321,463 |
| **Increase/decrease in cash** | **47,351** | **363,756** |
| **Cash at the end of the period*** | **577,765** | **530,414** |

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

* 'Cash' includes cash, cash equivalents and short-term investments. In 2010, the level of cash posted at the end of the period was due to the sale of subsidiaries.

## 2. Fluxys SA – 2010 results (in Belgian GAAP)

Fluxys SA's net result was €267.7 million compared with €65.9 million in 2009. As previously stated, the result for the period was boosted by both non-recurring items, namely the surplus yielded as a result of the rearrangement of the group structure, and the positive influence of the recovery of the non-depreciated portion of the Regulated Asset Base in connection with the closure of the peak-shaving facility at Dudzele.

Factoring in a profit of €56.6 million carried forward from the previous period and a withdrawal from reserves of €43.6 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €53.1 million to profit to be carried forward
- €314.8 million as a dividend to shareholders

If this proposal is accepted, the gross dividend per share in 2010 will be €448 (€336 net), of which €228 (€171 net) has already been distributed as interim dividend. The remaining €220 (€165 net) will be payable as from 19 May 2011.

The increase in the 2010 dividend compared with the 2009 dividend is due in part to the significant non-recurring items detailed above and in part to the introduction of a new profit-distribution policy as from 2010. The Board of Directors decided to propose distributing the entire net result for the period, plus (barring unforeseen circumstances) the revaluation surplus on tangible assets as and when they depreciate. This new profit-distribution policy should enable Fluxys to convert its financial structure into an equity/borrowed funds ratio more in line with the regulatory framework by which its activities are governed.

As a reminder, the 2010 dividend (excluding non-recurring items) was €123 net per share.

## 3. External audit

The Statutory Auditors have confirmed that their audit activities, thoroughly carried out, have not revealed the need for any significant adjustments to the accounting information contained in this press release.

# 4. Developments in 2010

## 4.1 Legal and regulatory framework

**Fluxys and Fluxys LNG appointed as system operators.** On 23 February 2010, three ministerial decrees came into force concerning the appointment, under the definitive regime, of Fluxys as transmission system operator and operator of natural gas storage facilities, and of Fluxys LNG as operator of LNG facilities. The appointments came into effect on 30 May 2010 and are valid for a renewable term of 20 years.

The Third European Package of legislative measures on energy introduces a certification procedure in connection with the appointment of system operators. Accordingly, a new procedure for appointing the three operators will need to be introduced once the package has been transposed into Belgian law.

**New Code of Conduct.** The Code of Conduct sets out the conditions for access to the natural gas infrastructure. The first Code of Conduct was established by the Royal Decree of 4 April 2003. The new version stipulates that all operators must compile several documents all of which must be submitted to CREG for approval: standard contracts, access rules and a service programme. System users are consulted while the documents are being compiled to ensure that the services offered are tailored as closely as possible to market requirements.

## 4.2 €393 million in investment in 2010

The Fluxys group invested a total of €393 million in Belgium in 2010, of which €362 million went into infrastructure. Of the total amount invested in infrastructure, 85.2% was allocated to transmission projects, 12.6% to storage projects and 2.2% to LNG terminalling projects. The key projects in 2010 were:

- laying of new pipelines: new east-west capacity (RTR2, 170 km), Ghent-Zeehaven (6 km), Dilsen-Boslaan (8 km), Lommel–Ham–Tessenderlo (24 km), Vedrin–Namur (4 km), Péronnes–Leernes–Dampremy (27 km), Dudzele-Zeebrugge (1 km) and Leuven (2.4 km). On 11 November 2010, a gas leak occurred in Wilsele while commissioningpart of the RTR2-pipeline. Fluxys has investigated the circumstances of the incident and has taken the appropriate measures to prevent any recurrence. Since the end of February 2011, Fluxys is gradually filling the section of the pipeline between Opwijk en Oupeye. By the end of summer, work on the pipeline section will be complete.
- works at compressor stations in Berneau, Weelde and Winksele;
- construction of an open rack vaporizer at the LNG terminal in Zeebrugge: heat from seawater will be used to regasify LNG;

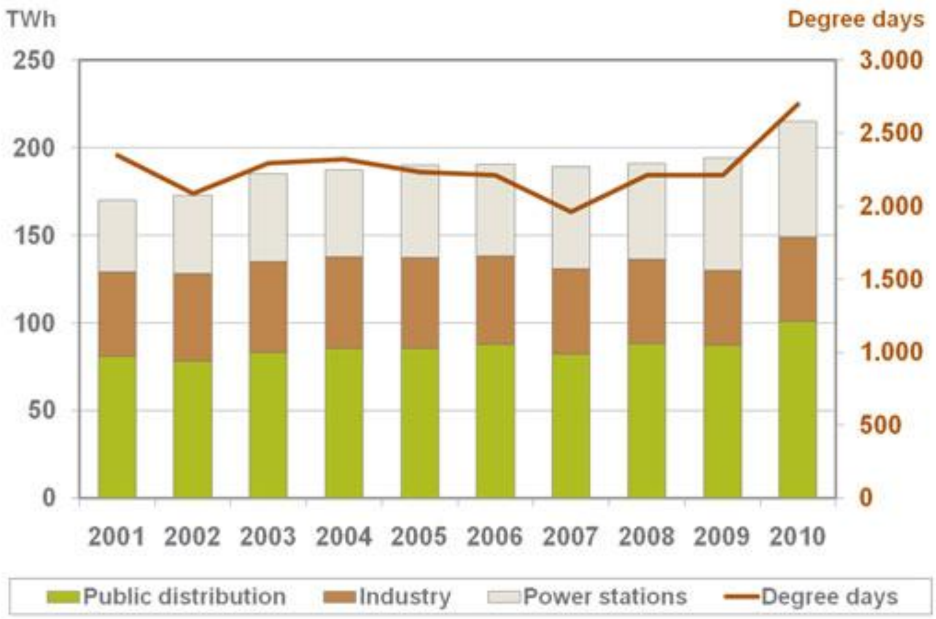
- continuation of works to extend capacity at the underground natural gas storage facility in Loenhout;
- seven new connections for industrial customers, primarily power stations;
- works on pressure-reducing stations for distribution system operators.

### 4.3 Activities

**Transmission volumes up 7%.** The total volume of natural gas transmitted in 2010 was 7% higher than in 2009. Volumes transmitted for consumption in Belgium were up 11.5% while volumes transported across Belgium for other markets rose by 3.4%. The increase in transmission volumes did not affect turnover since the latter is based on capacity sold.

Due to the economic recovery and the particularly cold winter in 2010, natural gas consumption in Belgium in 2010 totalled 19.5 billion cubic metres, a rise of 11.5% on 2009.

- Consumption by industrial companies directly connected to the Fluxys grid was up approximately 14% on 2009.
- Consumption by power stations in 2010 was up approximately 2.6%.
- Offtake form public distribution companies (downstream distribution of natural gas to SMEs and households), was approximately 16.3% higher than in 2009. The rise in consumption was due primarily to the cold winter: in 2010, there were 2,700 degree days (indicator for heating requirements) compared with 2,212 in 2009.



Natural gas for consumption in Belgium comprises only a portion of the volumes transported through the Fluxys grid, more than half the total volume of natural gas transmitted is destined for other countries. In 2010, some 24.1 billion cubic metres of natural gas were transported across Belgium compared with 23.3 billion cubic metres in 2009.

The larger transmission volumes also resulted in higher levels of activity on the Zeebrugge spot market. A total of 77 traders were active on the spot market and in December 2010 the volumes offered changed hands an average of 12.8 times.

**Ghislenghien.** On 22 February 2010, the correctional court of first instance (Tournai) acquitted Fluxys in the trial over the Ghislenghien disaster, ruling that Fluxys had not committed any offence. In March, the Public Prosecutor announced that it would appeal against this ruling and would challenge several acquittals, including that in respect of Fluxys. An appeal ruling is expected before the summer of 2011.

**Peak-storage activity in the Zeebrugge inner port discontinued.** As the market is no longer interested in booking peak storage capacity in the Zeebrugge inner port the peak-storage activity has been discontinued on 1 July 2010.

**71 carriers berthing at the LNG terminal.** 2010 was the second busiest year for the LNG terminal since it began operations in 1987: a total of 71 carriers unloaded LNG compared with 78 in 2009, bringing in some 4.58 million tonnes of LNG, which is equivalent to 6 billion cubic metres of natural gas. Most of the 71 ships which berthed were loaded in Ras Laffan, Qatar while a number of others also delivered LNG from Norway, Egypt, Nigeria, Peru and Trinidad. Since the new LNG loading service was launched in August 2008, a total of 15 LNG ships have berthed at the terminal for loading.

### 4.4 Corporate governance

**May 2010: Electrabel sells its stake in Fluxys to Publigas.** In May 2010, Publigas acquired Electrabel's entire stake in Fluxys and took over the entire guarantee obtained by Fluxys at the time of acquiring border-to-border transmission activities from Distrigas & C°. The GDF SUEZ group also sold its 6.8% stake in Fluxys LNG to Fluxys and its 5% stake in Interconnector (UK) Ltd to Fluxys NL (subsequently renamed Fluxys Europe).

**September 2010: rearrangement of the group structure.** During the period from July to late September 2010, Fluxys and Publigas rearranged the group structure to bring it into line with an amendment to the Gas Act pursuant to the Act of 10 September 2009. The new structure also paves the way for the group's international development, a prerequisite for enhancing Belgium's role as a crossroads on the North-Western European natural gas market.

The company Fluxys Holding SA was established (subsequently renamed Fluxys G), which is wholly owned by Publigas and to which the provisions of the Act of 10 September 2009 do not apply. Fluxys Holding also incorporated the stakes held by Fluxys SA in companies with non-regulated activities in Belgium and in companies active abroad (see pp. 1-2 for further details).

## 5. Future prospects

### 5.1 Activities

**Investment in 2011.** Fluxys is planning to invest €270 million in Belgium in 2011.

**Fluxys and CREG look into introducing a uniform entry/exit system.** Following market consultations in 2010, Fluxys and CREG have agreed to launch a project to introduce a new access system for the Fluxys natural gas transmission grid by the end of 2012. The new system will give grid users greater flexibility in booking and using capacity in the Belgian grid for the entire range of transmission services. When compiling regulatory documents for the new system, new market consultations will be organised with grid users, distribution system operators and companies connected directly to the Fluxys grid.

**Enhancing capacity on the transmission axis to the Grand Duchy of Luxembourg.** In June 2009, Fluxys launched a market consultation to assess demand for additional long-term transmission capacity to the Grand Duchy of Luxembourg. By late February 2010, Fluxys had received firm capacity bookings from interested grid users totalling 172,000 cubic metres an hour each year for the period 2015-2025. As a result, the existing pipeline between Ben-Ahin and Bras on the transmission axis to Luxembourg is to be replaced by a pipeline with a larger diameter.

**Fluxys and GRTgaz: open season with a view to developing firm transmission capacity from France to Belgium.** On 31 May 2010, Fluxys and GRTgaz launched a joint open season to gauge interest in long-term firm transmission capacity from France to Belgium. Firm transmission capacity is currently only available from Belgium to France, at the interconnection between the Fluxys and GRTgaz grids at Blaregnies/Taisnières. The project is in part dependent upon that to build an LNG terminal in Dunkirk. During an initial phase, grid users have expressed sufficient interest to launch the binding phase of the market consultation.

**Fluxys explores opportunities for long-term storage.** Against the backdrop of the new European regulatory framework and the Loenhout facility facing competition from other tools on the North-Western European storage market, Fluxys is exploring the options for grid users to book long-term storage capacity at the Loenhout facility. In this context, Fluxys has signed a non-binding memorandum of understanding with Gazprom Export and Statoil, two major producers for North-Western Europe and Belgium, to investigate the feasibility of such a move.

**Market consultation on the second capacity enhancement at the Zeebrugge LNG terminal with a view to binding capacity bookings.** In 2007, Fluxys LNG launched for the Zeebrugge LNG terminal an international market consultation to gauge interest in additional terminalling capacity among other things. In response, many shippers active in the LNG business registered non-binding interest in a variety of services. Based on this spectrum of demand, Fluxys LNG established the outline of the second capacity enhancement at the terminal. The Board of Directors has decided to build a second jetty for LNG vessels. The preliminary studies for the project are co-financed by the European Union via the Trans-European Energy Networks (TEN-E) programme.[1]

Fluxys LNG has also invited the market players involved in the consultation to express their interest in booking additional capacity at the terminal. Pending their response, Fluxys will, by the end of the year, lay the ground for the investment decision on the construction of a fifth storage tank at the terminal.

### 5.2 Corporate governance

**Accession of La Caisse de dépôt et placement du Québec.** On Friday, 28 January 2011, Publigas and La Caisse de dépôt et placement du Québec signed an agreement in principle that allows the latter to acquire a 10% stake in Fluxys G through a capital increase of up to €150 million. The transaction will be completed during the first half of 2011 and the capital increase will support the group's investment and development programme in Belgium and abroad.

In terms of corporate governance, the agreement signed between Publigas and La Caisse de dépôt et placement du Québec stipulates that the latter will be represented proportionally in the administrative bodies of Fluxys G and Fluxys SA.

When Fluxys acquired Distrigas & C° in June 2008, the majority shareholders at the time gave Fluxys a guarantee in respect of the value of the border-to-border

[1] Sole responsibility for this publication lies with the author. The European Union shall not be responsible for any use that may be made of the information contained herein.

transmission activities acquired. Publigas took over this guarantee in its entirety when Electrabel sold its stake in Fluxys in 2010. The agreement between Publigas and *La Caisse de dépôt et placement du Québec s*tipulates that the latter is to take over 10% of this guarantee and the Fluxys Board has decided to approve the transfer on the basis of a positive advice by a committee of independent directors.

## 6. Financial outlook for 2011

Bearing in mind the regulated nature of its activities and barring any unforeseen circumstances, Fluxys expects to pay out a dividend in 2011 that is similar to that distributed in 2010 (excluding non-recurring items).

In view of the impact of interest rates (OLO) on the company's fair margin, the recurring dividend is likely to follow interest-rate changes more closely than in the past.

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