Fluxys: recurring result in line with expectations and modification of financial structure

- **Proposal to split the Fluxys share into 100 parts to boost liquidity and enhance accessibility**
- **Results for 2011 yield a net dividend of €2.16 per split share**
- **Distribution of reserves to move towards a financial structure more in line with the regulatory framework: additional non-recurring net dividend of €4.50 per split share**
- **New records set in February 2012 for natural gas consumption on the Belgian market**
- **Further consolidation of the Fluxys grid as a natural gas crossroads in North-Western Europe: €253 million invested in 2011**
- **Zeebrugge: LNG terminal particularly busy and records set at Hub Zeebrugge**
- **Significant demand for long- and short-term storage capacity and for short-term border-to-border transmission capacity**

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1. Fluxys group – 2011 results (IFRS)

Foreword: tariff uncertainties 2008 and 2009 lifted

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

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

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

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

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

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

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

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

1.1 Consolidation scope: changes in 2011

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

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

1.2 Summary consolidated income statement (in thousands of €)

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

Statement of comprehensive income

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

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

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

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

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

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

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

1.3 Summary consolidated balance sheet (in thousands of €)

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

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

The decline in intangible assets was due to the final settlement regarding Distrigas & C°, as mentioned in the Foreword (p. 2).

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

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

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

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

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

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

1.4 Change in equity (in thousands of €)

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

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

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

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

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

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

2. Fluxys NV/SA – stock split

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

3. Fluxys NV/SA –2011 results (in Belgian GAAP)

3.1 Proposed allocation of profits

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

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

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

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

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

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

Factoring in a profit of €53.1 million carried over from the previous period and a withdrawal from reserves of € 464.8 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:
- €47.8 million to profit to be carried forward;
- €623.9 million as a dividend payout;
- €3.4 million as reserves not available for distribution.

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

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

3.2 Positive impact of distribution of the available reserves

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

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

4. 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.

5. Developments in 2011

5.1 Legal and regulatory framework

2012-2015 transmission and storage tariffs approved. On 22 December 2011, CREG approved the Fluxys tariffs to charge to our customers for storage and transmission during the regulatory period from 2012 to 2015. The new tariffs remain among the lowest in Europe and the cost of Fluxys services accounts for just 2-3% of the natural gas bill of households and businesses in Belgium.

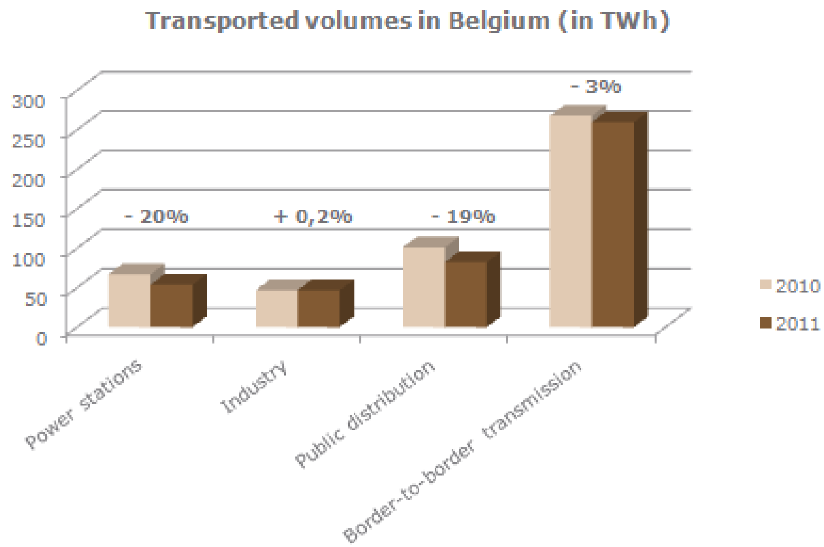
5.2 €253 million investments in 2011

In 2011, Fluxys spent €253 million on investment projects in infrastructure in Belgium to consolidate its grid's role as a crossroads and enable it to introduce the new entry/exit model in late 2012. Of the total amount invested, 87.1% was allocated to transmission projects, 8.4% to storage projects and 4.5% to LNG terminalling projects.

5.3 Activities

Transmission volumes. In 2011, Fluxys transmitted 8% less natural gas in its grid than in 2010. Volumes transmitted for consumption on the Belgian market fell by 15%, while volumes transmitted to other markets declined by just 3%. As regards the energy transmitted for consumption on the Belgium market (183 TWh, compared with 215 TWh in 2010), industrial consumption remained stable but mild temperatures and reduced consumption by power stations led to a fall in overall consumption.

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



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

February 2012: record consumption in Belgium. The prolonged cold snap in early February 2012 saw a rapid succession of record highs in natural gas consumption on the Belgian market. These unprecedented levels of consumption were primarily attributable to the offtake from public distribution systems. On the record consumption days, Fluxys transmitted eight times more natural gas for public distribution than on the hottest days of 2011. For several consecutive days send-out from the Loenhout storage facility was increased to record flow rates to help ensure uninterrupted supply to all end-users.

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

Entire Opwijk-Eynatten pipeline in service. In early 2010, Fluxys started works to lay a new natural gas transmission pipeline between Opwijk and Eynatten on the German border. The pipeline has progressively been commissioned, and the last phase of the project – restoring the land used to its original condition – will be completed in spring 2012.

Successful sale of long- and short-term storage capacity. For long-term storage contracts starting in storage year 2012-2013, Fluxys sold the entire capacity of 400 million cubic metres on offer during a subscription window in late 2011 for the maximum period of 10 years. In early 2012, Fluxys successfully auctioned all available short-term storage capacity as well. A total of 280 million cubic metres of storage capacity was available for yearly contracts covering the storage year 2012-2013. This auctioning of capacity was a first for Fluxys. The auctioning mechanism and overall approach were developed in close consultation with the system users and Belgian federal energy regulator CREG.

Intense activity in the Zeebrugge area. Of the 70 carriers that were unloaded, the major part were carrying LNG from Qatar, while others came from Yemen, Nigeria and Trinidad. The peak month was May, with 11 unloaded LNG carriers.

Since June 2010, trucks as well as ships have been able to load LNG at the Zeebrugge LNG terminal, and a number of test loadings have taken place. A total of 65 truckloadings were carried out in November and December 2011, and 2012 is set to see an upsurge in interest.

The high number of ship unloadings made the volumes of natural gas sent out by the Zeebrugge LNG terminal hit record highs, triggering more intensive use of transmission capacity in the Fluxys grid and increased activity on the Zeebrugge Hub.

5.4 Natural gas: partner in green energy

Natural gas has a key role in cutting greenhouse gas emissions, both for electricity generation and the transport sector. Stimulated by Fluxys and in partnership with federations and interested companies from the automotive and gas sectors, the association CNGdrive was launched to promote the use of CNG (compressed natural gas) and LNG (liquefied natural gas) in vehicles in Belgium. Significantly lower harmful emissions than petrol and diesel, an almost absence of harmful particulate emissions, quieter engines with reduced vibrations and cheaper prices at the pump all combine to make natural gas the perfect fuel for vehicles.

Fluxys is also supporting the European Blue Corridor project, which promotes the development of corridors with LNG filling stations for long-distance heavy-duty trucks. In Belgium, this has resulted in the Blue Cargo project to develop LNG filling stations at the ports of Zeebrugge, Ghent and Antwerp. Blue Cargo is an initiative of Drive Systems, supported by Volvo Trucks, Flanders Smart Hub and VITO. Moreover, Fluxys is striving to develop the Zeebrugge LNG terminal as a point from which the Flemish ports can be supplied with LNG as a fuel for ships.

In addition, Fluxys is taking part in a study examining the injection of biogas into the natural gas pipeline network. Biogas is gas produced from waste and it has many similarities to natural gas. The study aims to determine which composition requirements the gas must meet in order to be able to be injected into the pipeline network, and what the exact impact will be of blending it with natural gas. The outcome of the study will provide a basis for a European biogas standard.

5.5 Ghislenghien

On 28 June 2011, the Mons Court of Appeal found Fluxys to be co-responsible for the Ghislenghien disaster. Fluxys believes that the ruling contradicts established case law on liability. As such it sets a dangerous precedent since safety during works in the vicinity of pipelines is the duty of all parties involved and not just the infrastructure operator. Therefore Fluxys has decided to appeal in cassation. This will have no impact on the final compensation for the victims, for which Fluxys has reached an agreement with the insurers.

6. Future prospects

Investment in 2012. Fluxys is planning to invest €111 million in Belgium in 2012.

Introduction of a flexible capacity booking mechanism and of a Belgian trading point. Fluxys is working in consultation with CREG and the market players on a new mechanism for access to the transmission grid. The new mechanism will benefit system users in giving them even more flexibility in terms of booking and using capacity at the entry and exit points (supply points in Belgium or interconnection points at the border) of the Fluxys natural gas transmission system. The entry/exit system will go hand in hand with the introduction of the Zeebrugge Trading Point, where market players can choose from a range of products and which can serve as a reference for price-setting of natural gas on the Belgian market. Fluxys is working on this in partnership with APX-ENDEX.

Pipeline between Dunkirk and Zeebrugge. Regarding the new link between Dunkirk and Zeebrugge, Fluxys and the French transmission network operator GRTgas have received binding capacity requests from grid users. The analysis of the request is currently in the stage of review by the Belgian and French energy regulators CREG and CRE. Implementing the link between Dunkirk and Zeebrugge, would require building a new interconnection point between France and Belgium in Alveringem and a pipeline from Alveringem to Maldegem connecting the new interconnection point with the Zeebrugge area. The budget for this new pipeline section in Belgium is estimated at €150 million. The new infrastructure would enable significant additional natural gas quantities to be transmitted to Zeebrugge, which would substantially boost natural gas trading and the liquidity of the market. The project would also be a European first, as Fluxys would be the first company in Europe to offer through one single contract cross-border capacity, namely from Dunkirk to Zeebrugge and the future virtual trading point in Belgium.

7. Financial outlook for 2012

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

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