

Takeover of Distrigas & C° by Fluxys

Complementary information

1. Object of the transaction

On 30 June 2008, the Boards of Directors of Distrigas and Fluxys, pursuant to a positive opinion issued by the committees of independent directors within the two companies, approved the sale by Distrigas of its shareholding in Distrigas & C° to Fluxys for a total price of €958 million. This price may be subject to an adjustment, as described below.

The activities of the transferred company, Distrigas & C°, include the commercialisation of natural gas transit services for the Zeebrugge-Blaregnies (Troll) and Zeebrugge-Zelzate/Eynatten (RTR) pipelines, as well as a 10% shareholding in Huberator and a 49% shareholding in the LNG carrier *BW Suez Boston*. Distrigas & C° also has cash of more than €500 million.

Acquiring the Distrigas & C° transit activities is of obvious strategic importance for Fluxys, specifically for the following reasons:

- it enables to centralise all infrastructure activities (transit, transmission, storage and terminalling) within one and the same entity,
- Fluxys will therefore be better positioned to maximise operational synergies between transit and transport, and to achieve economies of scale,
- through the regrouping of activities, Fluxys will be better positioned to tailor its investments and service offering to the needs of a changing market,
- the transaction will increase international recognition of Fluxys' expertise in transit, especially with regard to any development of this kind of activities abroad.

2. Principles and terms governing the price adjustment mechanism

The principle and terms governing the price adjustment mechanism only apply to the valuation of the transit activity.

Bearing in mind the unstable context with regard to transit tariffs arising from the fact:

- that the decisions taken by CREG on 15 May and 6 June 2008 regarding transit tariffs are provisional and challenge the validity – in terms of tariffs – of certain transit contracts concluded with shippers;
- that Fluxys, Distrigas, Distrigas & C° and several shippers (grid users) have lodged appeals against these decisions;

- that the Minister for Energy had the Council of Ministers approve draft legislation that has not yet passed parliament and should help ensure stability of the tariff context with regard to transit;

there is significant uncertainty as to the value of the transit activities in question¹.

Consequently and in order to bypass the difficulties linked to the interpretation and application of the relevant legal and regulatory provisions – which are essential for making the final determination of the valuation of the transit activity – Fluxys and Distrigas agreed on a value of €350 million for the transit activities of Distrigas & C°, subject to an upward price adjustment in the event that, before the end of the adjustment period running until 2015, legislative, regulatory or legal decisions would trigger a value for the transit activities higher than the agreed value of €350 million².

Moreover, and as indicated in the joint press release issued by Distrigas and Fluxys on 1 July 2008, Fluxys will benefit from a compensation guarantee from SUEZ, which is standing guarantor for Publigaz for an amount of €250 million to cover the risk of a valuation of the transit activities proving to be less than €350 million.

The purpose of these adjustment mechanisms is to ensure that, despite the uncertainties mentioned above, the price actually paid by Fluxys for the transit activities of Distrigas & C° corresponds, upon completion of the upward or downward adjustment period, to the economic value of that activity for Fluxys. From this point of view, the parties agreed a price adjustment period until no later than 2015 in order to have clarification on the regulatory framework through a final legislative, regulatory or legal decision, albeit without waiving the right to conclude such an adjustment earlier once the above-mentioned uncertainties have been removed.

Based specifically on the positive "fairness opinion" drafted by its financial adviser, Degroof Corporate Finance, the Fluxys committee of independent directors issued a positive opinion regarding the operation as a whole, especially with regard to the price adjustment mechanism, its duration and the compensation guarantee. In accordance with Article 524 §3 of the Companies Code, Fluxys' statutory auditor will issue an assessment – which will be mentioned at the time of the press release on the half-yearly results for 2008 – pertaining to the reliability of the data in the opinion of the committee of independent directors and in the minutes of the Board of Directors' meeting.

Failing an agreement between the parties on the amount of the final price adjustment on 30 November 2015, a panel of experts may, at the request of the parties, issue an opinion on

¹ This uncertainty does not affect the other components that are part of the sale: cf. the shareholdings in *Huberator*, in the Norwegian partnership *Partrederiet Bergesen* and cash and working capital requirements.

² This adjustment will accrue interest as of 1 July 2008 and will be calculated on the basis of the average 12-month Euribor rate.

the valuation of the transit activity of Distrigas & C°, without prejudice to each party's right to resort to arbitration.

Calculating the price adjustment and compensation, if any

1. The value of the transit activities with a view to implementing the price adjustment and any compensation comprises:

- the value of the portfolio of transit contracts as at 1 July 2008;
- a residual value.

2. For the value of the portfolio of transit contracts as at 1 July 2008, the discounted free cash flow method was selected.

2.1. To determine free cash flow:

- the income to take into account is income resulting – for contracts existing on 1 July 2008 pertaining to the Troll and RTR pipelines – from the implementation of a legislative, regulatory or legal decision that is not open to appeal.
- the costs to take into account are operating costs – excluding leasing charges – applicable to the Troll and RTR pipelines, bearing in mind, as for cost allocation between transport and transit, the provisions resulting from an administrative, regulatory or legal decision.

2.2. the valuation will be effected using the discounted free cash flow method as at 1 July 2008 at the rate of 5.75% (WACC)

3. The residual value was agreed by taking into account the Regulated Asset Base (RAB) of the Troll and RTR pipelines as at 1 July 2008, as will result from an administrative, regulatory or legal decision.

4. The total value of the transit activities will therefore be:

- the value of the portfolio of contracts as at 1 July 2008 as described in point 2, less an amount of €111 million (one hundred and eleven million), representing the remaining balance payable of leasing debts pertaining to the Troll and RTR pipelines as at 1 July 2008;
- plus the residual value as described in point 3.

5. In the event that the validity and full execution of the Transit Service Agreements concluded between Fluxys and Distrigas & C° ("grandfathering") in 1998 and 2000 are confirmed by a legislative document or a final legal decision not subject to appeal, then the value of (present and future) short-term contracts relating to capacity in the Troll and RTR pipelines will also be taken into account using the free cash flow method. The potential of new contracts will be taken into account when determining the residual value.