

Prospectus dated 15 May 2013



Sibelga SCRL/CVBA

(intermunicipal organisation, incorporated in the Kingdom of Belgium with limited liability in the form of a SCRL/CVBA)

EUR 100,000,000 3.20 per cent. Bonds due 23 May 2023

Issue Price 99.747 per cent. – Gross actuarial yield on Issue Price 3.23 per cent.

The EUR 100,000,000 3.20 per cent. bonds due 23 May 2023 (the "**Bonds**") will be issued on 23 May 2013 (the "**Issue Date**") by Sibelga SCRL/CVBA, an "*association intercommunale ayant pris la forme d'une société coopérative à responsabilité limitée*" / "*intergemeentelijke vereniging die de vorm heeft aangenomen van een coöperatieve vennootschap met beperkte aansprakelijkheid*" incorporated under the laws of Belgium, having its registered office at Quai des Usines 16, B-1000 Brussels and registered with the Crossroads Bank for Enterprises under number 0222.869.673 (the "**Issuer**"). The denomination of the Bonds shall be EUR 100,000. Interest on the Bonds is payable annually in arrear on 23 May in each year subject to adjustment as described in the "Terms and Conditions of the Bonds – Interest" and "Terms and Conditions of the Bonds – Redemption and Purchase". Payments on the Bonds will be made without deduction for or on account of taxes of the Kingdom of Belgium to the extent described under "Terms and Conditions of the Bonds – Taxation".

The Bonds mature on 23 May 2013. The Bonds are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the Kingdom of Belgium. Upon a Change of Control (as defined in the Terms and Conditions of the Bonds) of the Issuer, the Bonds shall, at the option of the holders of the Bonds, be redeemed at their principal amount together with accrued interest. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Bondholders upon a Change of Control".

BNP Paribas, London Branch (located at Harewood Avenue 10, NW1 6AA London) is acting as lead manager and sole bookrunner. BNP Paribas Securities Services, acting through its Brussels Branch, has been appointed as domiciliary, paying and listing agent (the "**Agent**"). The Bonds are in principal amounts of Euro 100,000 each. The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3 of the Terms and Conditions of the Bonds, at all times rank at least equally with all its respective other present and future unsecured and unsubordinated obligations.

This listing prospectus (the "**Prospectus**") has been prepared for the purpose of the admission of the Bonds to trading on the regulated market of NYSE Euronext Brussels. It has not been prepared for the purpose of a public offering of the Bonds as defined in the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (as amended, the "**Prospectus Law**"), and no such public offering of the Bonds in Belgium (or in any other jurisdiction where such public offering would require an approval of this Prospectus by any authority) will take place. Application has also been made for the Bonds to be admitted to trading on NYSE Euronext Brussels. References in this Prospectus to the Bonds being "listed" (and all related references) shall mean that the Bonds have been admitted to trading on NYSE Euronext Brussels, which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

This Prospectus has been approved on 30 April 2013 by the Financial Services and Markets Authority ("*Autoriteit voor Financiële Diensten en Markten*" / "*Autorité des Services et Marchés Financiers*") (the "**FSMA**") in its capacity as competent authority under Article 23 of the Prospectus law. This approval cannot be considered as a judgment as to the opportunity or the quality of the transaction, nor on the situation of the Issuer.

The Bonds will be issued in dematerialised form in accordance with Article 3,§ 2 of the Belgian law of 14 December 2005 on the suppression of bearer securities and Article 20bis of the articles of association of the Issuer. The Bonds cannot be physically delivered. The Bonds will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the "NBB") or any successor thereto (the "**Clearing System**"). Access to the Clearing System is available through those of its Clearing System participants whose membership extends to securities such as the Bonds. Clearing System participants include certain banks, stockbrokers ("*beursvennootschappen*" / "*sociétés de bourse*"), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). Accordingly, the Bonds will be eligible to be cleared through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Bonds within securities accounts held at Euroclear and Clearstream, Luxembourg. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

LEAD MANAGER AND BOOKRUNNER

BNP PARIBAS

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (as amended, the "**Prospectus Directive**") and the Prospectus Law and for the purpose of giving information with regard to the Issuer and the EUR 100,000,000 3.20 per cent. Bonds due 23 May 2023 which according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with its annexes.

This Prospectus has been prepared for the purpose of the listing of the Bonds on NYSE Euronext Brussels and does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Manager (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions.

For a description of further restrictions on sales of Bonds and distribution of this Prospectus, see "**Subscription and Sale**" below.

The Issuer has not authorised any person to give any information or to make any representation regarding the Issuer or the Bonds not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Lead Manager. Neither the delivery of this Prospectus nor any sale made in connection herewith nor the delivery of any Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. If at any time during the relevant period for the purpose of Article 34 of the Prospectus Law there arises or is noted a significant new factor, material mistake or inaccuracy relating to the information included in this prospectus, the Issuer will prepare and submit to the FSMA for its approval a supplement to the Prospectus containing details of the new factor, mistake or inaccuracy so as to comply with the requirements of Article 34 of the Prospectus Law.

To the fullest extent permitted by law, the Lead Manager accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Bonds. The Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act).

Unless otherwise specified or the context requires, references to "**EUR**", "**euro**", "**Euro**" and "**€**" refer to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on the Functioning of the European Union.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent all risks considered relevant, on the date of publication of this Prospectus, when considering investing in the Bonds. Besides the risks listed below, additional risks and uncertainties not presently known to the Issuer or that the Issuer currently deems to be immaterial may arise. The latter may place the Issuer in a situation where he may be unable to pay interest, principal or other amounts on or in connection with the Bonds. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any annexes) and reach their own views prior to making any investment decision.

Factors that may affect the ability of the Issuer and its subsidiaries ("Sibelga"), to fulfil their obligations under the Bonds

Before investing in the Bonds, prospective investors should consider carefully all of the information in this Prospectus, including the following specific risks and uncertainties. If any of the following risks materialises, the Issuer's business, results of operations, financial condition and prospects could be materially adversely affected. In that event, the value of the Bonds could decline and an investor might lose part or all of his investment due to an inability of the Issuer to fulfil its obligations under the Bonds. Although the Issuer believes that the risks and uncertainties described below represent all material risks and uncertainties considered relevant, on the date of publication of this Prospectus, for the Issuer's business, the Issuer may face additional risks and uncertainties not presently known to the Issuer or that the Issuer currently deems to be immaterial. The latter may also have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects, and could negatively affect the value of the Bonds and/or the ability of the Issuer to fulfil its obligations under the Bonds.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and should reach their own views before making an investment decision with respect to any Bonds. Furthermore, before making an investment decision with respect to any Bonds, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Bonds and consider such an investment decision in light of the prospective investor's own circumstances.

Risks linked to the regulatory framework applicable to the Issuer

Risks related to the uncertain development of the regulatory framework

As a distribution system operator ("**DSO**") the Issuer develops, manages and maintains low voltage and mid voltage distribution networks for electricity as well as low pressure and mid pressure distribution networks for gas. The operation of a distribution network is a regulated activity that is granted a legal monopoly within the boundaries of the operating territory attributed to each DSO. As such the activities of the Issuer – which are described in paragraph (*Description of the activities of the Issuer*) – are subject to a large number of European, national and regional laws and regulations. The regulatory framework is quite recent and has been amended and extended on several occasions. The first regulatory framework was set up in the mid-nineties with the implementation of the First European Energy Directives. In the following years, the regulatory framework went through an evolutionary trajectory that focused on strengthening the liberalised energy market with the Second European Energy Directives, leading to a functional separation of the commercial and distribution activities. The Second European Energy Directives required as of 1 July 2007 the legal and functional separation of the distribution activities from other activities not relating to distribution¹.

¹ In the Brussels Capital Region, this legal separation had already been organised by the Orders of 19 July 2001 and 1 April 2004.

The recent "**Third Energy Package**"² continues this trend, also grants greater autonomy to the regulator to fix or approve the tariffs. This Third Energy Package has recently been implemented into federal law by the Law of 8 January 2012³ (hereinafter termed the "**Law**") and into regional law by two orders on 20 July 2011⁴.

The Commission for the Regulation of Electricity and Gas (*Commission de régulation de l'électricité et du gaz*, the "**CREG**") currently has the exclusive competence to establish the tariff methodology to be used by the Issuer as a basis for the tariff proposals (although after consultation with the regional regulators and after a "structured, documented and transparent" consultation with the regional regulators (*in French, Gestionnaires de Réseaux de Distribution*)), and consequently has the power to approve these tariff proposals. The CREG started a consultation procedure in October/November 2011 on a proposed tariff methodology, but following the adoption of the Law, which stipulates a thorough consultation procedure and the guidelines that must be followed when establishing the tariff methodology, the consultation procedure needed to be restarted. However, given that the CREG believed that a minimum period of 22 months was required to set up a new tariff methodology and afterwards to analyse and approve the tariff proposals of the DSOs, it froze the tariffs for 2013 and 2014 (see paragraph hereinafter, *Risks related to the profitability of the Issuer during the prolongation of the tariffs in 2013 and 2014*, page 10). So far the CREG has not taken any steps to restart the consultation procedure, and given the probable transfer of the tariff competencies to the regional regulators in 2015 (see paragraph hereinafter *Risks related to a possible change in tariff methodology due to the envisaged transfer of the tariff competencies to the regional regulators*, page 11), the Issuer does not expect the CREG to take any further action. It should be noted that in practice, this extension of the tariffs to 2013 and 2014 may negatively impact the profitability of the distribution system operators in 2013 and 2014 as this could imply *inter alia* (i) that the efficiency improvements of the Issuer as DSO (see paragraph *Risks related to the uncertain application of incentive regulation mechanisms in the future*, page 7 below) in 2013 and 2014 would need to be at least equal to the inflation effect on its cost base, (ii) that investments in regulated assets would, for the part exceeding depreciation of existing assets, not result in higher tariffs before 2015 or (iii) that higher interest charges on loans (e.g. linked with an increased indebtedness) would not result in higher tariffs before 2015.

In addition, it remains to be seen whether the guidelines contained in the Law will stand up to the test of European law. The parliamentary debate has already given rise to several questions in this respect and in June 2012 the CREG submitted a request for annulment to the Constitutional Court, arguing that the Law breached the rules of the Third Energy Package. However, the potential amendments made to the federal regulatory framework because of this annulment claim should not have a major impact on the Issuer as the CREG has frozen the tariffs for 2013 and 2014. Between now and 2015, it can reasonably be expected that the powers linked to the distribution tariffs will be transferred to the regional regulators in accordance with the latest Belgian institutional agreement. The establishment of the new tariff methodology will ultimately be the responsibility of the regional regulator, the Energy Regulation Commission of the Brussels Capital Region ("**BRUGEL**"), which will also have the competence to approve the tariffs. In that respect it is to be awaited how the new Brussels' legislator will implement this transfer in regional legislation and how BRUGEL will establish the tariff methodology in practice. A change of tariff setting policy, e.g. with regards to the tariff balances or the incentive regulation mechanisms, could hamper the profit generating capability of the Issuer. However it is to be reiterated that the new regulator will be bound by the general principles inserted in the Third Energy Package.

² Directive 2009/72/EC of the European Parliament and Council of 13 July 2009 on the common rules for the internal electricity market, and repealing Directive 2003/54/EC (OJ L 211, 14/8/2009, p. 55) and Directive 2009/73/EC of the European Parliament and Council of 13 July 2009 on the common rules for the internal natural gas market and repealing Directive 2003/55/CE (OJ L 211, 14/8/2009, p. 94).

³ Law of 8 January 2012 amending the Law of 29 April 1999 on the organisation of the electricity market and the Act of 12 April 1965 on the transport of gaseous and other products by pipes (*Belgian State Gazette*, 11 January 2012).

⁴ Respectively the Orders amending the Order of 1 April 2004 on the organisation of the gas market in the Brussels Capital Region, on the public land taxes regarding gas and electricity, and amending the Order of 19 July 2001 on the organisation of the electricity market in the Brussels Capital Region (*Belgian State Gazette*, 10 August 2011) and the Order amending the Order of 19 July 2001 on the organisation of the electricity market in the Brussels Capital Region and the Order of 12 December 1991 creating budgetary funds (*Belgian State Gazette*, 10 August 2011).

Although the Issuer is actively attempting to anticipate the new regulatory schemes, changes to the regulatory framework may cause uncertainty and may have a negative impact on the activities, financial situation and results of the Issuer.

Potential inconsistencies between regulations at different levels (European, federal and regional)

The Federal State and each of the Belgian Regions have set up their own regulatory framework and their own regulatory body for the electricity and gas market. The fact that certain regulatory powers are split between the federal regulator and the regulators of each Region may lead to inconsistencies or contradictions and hinder the activities of the Issuer. These inconsistencies may, for example, arise at a technical level or in the field of public service obligations. The costs of certain obligations of the Issuer, in accordance with regional legislation or the instructions of the regional regulator, could for instance not be taken into account by the CREG on the federal level at the time of fixing the distribution tariffs or the tariff methodologies. As an example, a decision of the Brussels' legislator regarding the public service obligations might have an impact on the Issuer's operational costs, and the inclusion of such costs in the tariffs must be approved by the CREG.

However, the risk of these costs not being included in the tariffs is reduced by the provisions previously contained in the Royal Decrees of 2 September 2008⁵ (the "**Tariff Decrees**") and contained in the Law, stipulating that the DSOs must be able to recover costs arising from the measures taken by a government entity. In addition, as mentioned above, it is stipulated that the powers over the tariffs for using the distribution grid in Belgium will be transferred in 2015 from the federal regulator to the regulators of each region, thereby reducing the risk of inconsistencies between the legislation and regulations on different levels. Nevertheless, future regional orders and regulations might differently regulate the distribution grid fees.

The fact that the activities of the Issuer are subject to regulation at different levels and that the allocation of competencies between those levels, as well as the manner in which these competences are exercised, may develop over time will lead to risks and uncertainties that could have a negative impact on its activities, its financial situation and results.

Supervision by the regulators and the potential impact on current and future tariffs

European law requires each member state to create an independent regulator specific to the energy industry. The primary role of the regulator is to ensure the absence of any discrimination between users and the effective operation of the market by, in particular and primarily, setting or approving the tariffs (or at the very least, their calculation methodologies).

As we describe in more detail in the paragraph *Regulated tariffs*, page 43 below, most of the revenue and profits of the Issuer are generated by the tariffs under the supervision of the CREG. These tariffs are set according to a system that takes the costs into account (*cost-oriented*), and includes many parameters (such as for example, a fair return on the capital invested and a certain balance sheet structure). These tariffs must in principle enable each DSO to recover its estimated costs (both operational and financial, as well as its cost of capital) through the tariffs. As further specified in the paragraph *Fair profit margin and depreciation* on page 45 below, the margin for the fair return on the capital invested by the Issuer's shareholders corresponds to a return margin on the grid value and is expressed as a percentage, that results from the CAPM⁶ pricing formula in accordance with the rules established in the Tariff Decrees.

⁵ For the distribution of electricity, it is the Royal Decree of 2 September 2008 on the rules for setting and checking the total revenue and equitable profit margin, the general pricing structure, the balance between the costs and income and the basic principles and procedures regarding the proposal and approval of prices, the reporting and control of the costs by the electricity distribution system operators (Belgian State Gazette of 12 September 2008).

For the distribution of gas, it is the Royal Decree of 2 September 2008 on the rules for setting and checking the total revenue and equitable profit margin, the general pricing structure, the balance between the costs and income and the basic principles and procedures regarding the proposal and approval of prices, the reporting and control of the costs by the gas distribution system operators (Belgian State Gazette of 12 September 2008).

⁶ CAPM stands for Capital Asset Pricing Model, a commonly used formula for the determination of required return on investment and intrinsic share values.

Such "fair profit margin" on the own funds of the Issuer was, respectively for gas and electricity, 6.25 % and 6.47 % for 2011, and 5.62% and 5.77% for 2010.

The system operates in such a way that each individual DSOs must submit a gas and electricity tariff proposal, based on its estimated costs, to the CREG⁷ for approval before the start of a regulatory period ("*ex ante control*"). The DSO must subsequently supply information relating to the actual costs incurred when they are available ("*ex post control*"). The CREG may, both during the *ex ante control* and *ex post control* phase, dispute the costs that do not seem reasonable or appropriate. The CREG does this, for example by reference to a comparative analysis of the costs incurred by other operators and those submitted by other DSOs. However, the costs judged reasonable by the CREG during the *ex ante control* phase may not be rejected during the *ex post control* unless they have not actually been incurred.

Tariff decisions taken by the CREG and the changes to the tariff parameters may have a negative impact on the activities, financial situation and results of the Issuer.

Enhanced role and power of the regulator might affect the financial situation of the Issuer

On 13 July 2009 the European Parliament and European Council adopted the Third Energy Package (more detailed in the paragraph *Tariff regulation - European Union*, page 42. One of the main objectives of the Third Energy Package was to strengthen the position, autonomy and independence of the national regulators. The regulator must be in a position to take autonomous decisions, independent of any political body. The objective of these new rules is to avoid interference with government interests in the energy sector.

With regard to the powers of the Federal Government, the rules set by the Third Energy Package have been transposed by the Law. As indicated in paragraph *Risks related to the uncertain development of the regulatory framework*, p 5 above, it should be noted that the CREG submitted a request for annulment in June 2012 to the Constitutional Court, arguing that the Law violates the rules laid down in the Third Energy Package. Besides invoking several other alleged inconsistencies with the Third Energy Package, the CREG primarily argues that the long list of "guidelines" contained in the Law, which it is supposed to follow, should be considered as prohibited "instructions" to the regulator by a "public organisation". According to the Third Energy Package, only "general policy guidelines" that "are not linked to the regulatory functions" are allowed. During the parliamentary debates and hearings prior to the adoption of the Law, the CREG had already voiced these criticisms. On the other hand, the representatives of the European Commission had indicated during these debates that the provisions of the Law did seem to comply *a priori* with the European rules.

This claim for annulment illustrates that the CREG will not hesitate to enhance and strengthen its status as independent regulator. While the outcome of this case cannot be predicted, it should be emphasised that even if the regulator wins the case, the regulator will remain bound by the provisions of the Third Energy Package, which among others stipulate that the distribution tariffs must reflect the costs and guarantee the long term capacity of the distribution network to meet the reasonable energy distribution demands. In addition, these tariffs must include a fair return to adequately remunerate the network assets and any new investments made to it, insofar incurred in a rational economical manner.

An annulment decision of the Constitutional Court which strengthens the powers of the regulator could have a negative impact on the activities, financial situation and results of the Issuer.

Risks related to the uncertain application of incentive regulation mechanisms in the future

The tariff regulation put in place by the Tariff Decrees incentivises the DSOs to increase productivity and efficiency.

For the regulatory period 2009-2012, this incentive regulation mechanism has taken the form, among others, of a single factor to improve the efficiency and productivity for the manageable costs at the start of the period, limited to 2.5%. The deviation between the "manageable costs" actually incurred and the

⁷ As mentioned above, it is however stipulated that these powers will be transferred from the federal regulator (the CREG) to the respective regional regulators (for the Brussels Capital Region, BRUGEL). This transfer is expected to be adopted and come into effect in 2015.

budgeted costs, is in principle either added to the net profit (if the actual costs are less than the budgeted costs), or deducted from the net profit (if the actual costs are higher than the budgeted costs). Consequently, this difference will be added to the profits of the Issuer, or deducted from its net profit and will have no impact on the tariffs, either during the regulatory period or afterwards.

On an yearly basis, the CREG also compares the non-manageable costs actually incurred to the budgeted non-manageable costs, on which the initial tariffs proposals were based. The difference between the non-manageable costs is booked by the Issuer to an adjustment account in anticipation of the approval of the level of these balances by the CREG at the end of each year of the regulatory period, either as an account receivable (if the non-manageable costs actually incurred are higher than the budgeted costs), or as an account payable (if the non-manageable costs actually incurred are less than the budgeted costs). According to the rules of the Tariff Decrees, at the end of the regulatory period, the allocation of the cumulative balance of the non-manageable cost difference (as an account receivable or payable) had to be decided by an order deliberated by the Council of Ministers after submission of a proposal by the CREG. However, since the entry into force of the Third Energy Package this decision can solely be taken by the regulator.

It should be emphasised that the manageable costs in 2011 represented only 33% of the gas and electricity distribution tariffs in the Brussels Capital Region. This means that the bulk of the costs are in principle automatically passed on to the end consumers. Consequently, a "surcharge" on the manageable costs constitutes the primary risk for the Issuer and his shareholders, and this may negatively affect their profitability. As regards financial indebtedness, the interest component of financial indebtedness is considered to be an "embedded cost", which is a cost that can only be rejected by the regulator if it is incurred on terms which are not market conform. Unless so rejected, an embedded cost can in all cases be passed on through the customers of the Issuer through the tariffs.

Although the Tariff Decrees have been repealed by the Law, there are good arguments to support that the incentive regulation mechanism provided by these Decrees should still be applied to the current regulatory period 2009-2012 (including the years for which the tariffs are frozen at the 2012 price level). This incentive regulation mechanism should be applied insofar the Tariff Decrees comply with the Third Energy Package. The Court of Appeal of Brussels recently confirmed in its judgement of 26 June 2012⁸ that a vast part of the provisions of the Tariff Decrees comply with the Third Energy Package. However, certain provisions relating to the tariff methodology and the regulatory balances are not reconcilable with the Third Energy Package. In general the provisions of the Third Energy Package stipulate unequivocally that the regulator must be able to set or approve the distribution tariffs or their methodology. Consequently, only the regulator has the power to establish the tariffs methodologies (after consultation with the DSOs). With regard to the regulatory balances as already indicated above, the provision according to which the Council of Ministers must decide on the allocation of the regulatory balances is no longer valid, as according to the Third Energy Package, only the regulator can make such a decision. Yet it should still be emphasised that the basic principles included in the Tariff Decrees on the regulatory balances do not contravene the Third Energy Package and should be applied to the current regulatory period (*i.e.* the period 2009-2012, including the years for which the tariffs were frozen at the 2012 level).

With regard to the future regulatory periods, the incentive regulation mechanism will most likely, in accordance with the Law, be integrated into the tariff methodology to be established by the competent authority at that time. Given the probable transfer of the tariff competences to the regional regulators in 2015 (see paragraph *Risks related to the profitability of the Issuer during the prolongation of the tariffs in 2013 and 2014*, page 10), it is expected that BRUGEL will have the power to make such a decision. In this respect it is necessary to emphasise that, as we describe in more detail in paragraph *Risks related a possible change in tariff methodology due to the envisaged transfer of the tariff competencies to the regional regulators*, page 11, the federal legislation will continue to apply until the regional authorities concerned have repealed or replaced the federal legislation and, consequently, BRUGEL will be required to take this legislation into account, and in particular the guidelines contained in the Law. Nevertheless, if the claim against the Law made by the CREG succeeds, it is not impossible that in the future BRUGEL (or the CREG if the transfer of the competences has not yet been completed) may be able to apply the incentive mechanisms not only to the manageable costs, as is the case pursuant to the Tariff Decrees, but also to the non-manageable costs of the Issuer. Other alternative measures could be envisaged as well.

⁸ Regarding the validity of the decision of the CREG to increase the distribution tariffs of the existing mixed Flemish DSOs

Thus BRUGEL (or the CREG if the transfer of the competences has still not been completed) could also reduce the number of costs that are categorised as non-manageable costs, or completely eliminate them, and introduce a variable rate of return according to the type of investment or performance indicators enabling the quality of the services provided to the users to be measured.

With respect to the comparative efficiency analyses which BRUGEL should conduct in the next regulatory period (assuming that the envisaged transfer of the competences has taken place by that time), the guidelines contained in the Law (if they are held valid by the Constitutional Court) stipulate that the regulator may only evaluate the existing DSOs performances compared to similar DSOs. In addition, in its comparative analysis the competent regulator should take into account the objective differences between the various DSOs and apply rigorous criteria and transparent, homogeneous and reliable data, and should moreover guarantee that a DSO whose efficiency is around the market average recovers all of its costs and receives a normal return on its capital.

Hence, in principle the risk of the efficiency objectives being set at an unrealistic level by the regulator is thus mitigated by the guidelines contained in the Law. This should be the case until 2014, as the same principles apply to the frozen tariffs. For 2015 and subsequent years, in view of the expected regionalisation of the distribution tariffs, the risk will depend on the attitude of the regional legislator and regulator. Nevertheless it is still possible that the Issuer cannot recover all of its costs (manageable or non-manageable) through its distribution tariffs.

The future attitude of the Brussels regional regulator, BRUGEL, concerning these efficiency objectives imposed on the DSOs could have a negative impact on the activities, financial situation and results of the Issuer.

Risks related to the challenge of the validity of the previous tariff decisions

Certain ongoing litigations could affect the tariffs applied to the current regulatory period.

As we explain in more detail in paragraph *Regulated tariffs*, page 43, several court decisions have casted doubts on the formal validity of the Tariff Decrees.

Several consumers filed a civil action against Electrabel SA before the *Vrederechter / Juge de Paix* of Deurne to reclaim the distribution fees paid in the years 2009 and 2010, on the basis that they were charged without a valid legal basis. Although the outcome of such proceedings cannot be predicted with certainty, the DSOs are of the opinion and argue before the judge that the legal discussions on the validity of the Tariff Decrees should not lead to the refund of the distribution tariffs. This argument was recently reinforced by a decision of the Brussels Court of Appeal on 26 June 2012 on the validity of the decision of the CREG to increase the existing distribution tariffs of the mixed Flemish DSOs. In this case the Court reaffirmed that the illegality of certain provisions of federal legislation on the distribution tariffs does not imply that the entire regulatory framework underpinning the distribution tariffs should be set aside, and that the tariff decisions should still be based on existing legislation. This reasoning was recently defended by the CREG as well in its written submissions deposited on 21 December 2012 for the proceedings before the Deurne *Vrederechter / Juge de Paix*. In its written submissions, the CREG argues that the tariffs for the regulatory period 2009-2012 are substantially correct, and reflect the costs incurred by the DSOs and an adequate equitable profit margin approved by the tariffs decisions of the CREG.

The risk of the Issuer having to refund the distribution tariffs may thus be described as fairly limited. The arguments presented by the DSOs in the litigation in question (described in paragraph *Regulated tariffs*, page 43) are sound and were recently strengthened by the judgement of the Court of Appeal. In addition, it can be argued that the prolongation of the tariffs by the CREG to 2013 and 2014, as further described in the paragraphs *Risks related to the profitability of the Issuer during the prolongation of the tariffs in 2013 and 2014*, page 10, and *Regulated tariffs*, page 43, constitutes an implicit validation of the tariffs for the regulatory period 2009-2012. Finally, in the most pessimistic scenario, if the Deurne *Vrederechter / Juge de Paix* decides in the favour of the plaintiffs, it is unlikely that the CREG will allow a situation in which the DSOs are unable to recover the distribution costs for the services actually rendered, and it can be expected that in such a scenario it would opt to ratify the annulled distribution fees, including those of the Issuer. In its written submissions, the CREG already asserted that it will follow this route if necessary.

It is only in the unlikely absence of such a decision by the CREG that a refund risk could arise for the Issuer. In addition, it should be noted that only a few consumers based in the Brussels Capital Region are

party to this particular dispute and the amount at risk for the Issuer with respect to the consumers which are party to the proceedings is very limited. Only in the unlikely situation that the *Vrederechter / Juge de Paix* decides that the consumers should be refunded and if subsequently other consumers in the Brussels Capital Region which are not party to the proceedings claim the repayment of similar grid fees, the activities, financial results and business of the Issuer can be substantially affected.

Finally, it should be noted that in recent judgement of the Court of Appeal of Brussels of 6 February 2013 the tariffs of the electricity transmission system operator Elia have been annulled. In this judgement the Court annulled the decision of the CREG which approved Elia's tariff proposal for the regulatory period 2012-2015. The request for annulment was introduced by the three main Belgian electricity producers (i.e. Electrabel, EDF et E.ON) who argued that certain elements of the new transmission tariffs, i.e. an injection tariff, a tariff for auxiliary services and a volume fee, had no valid legal basis.

As the judgement annuls the decision of the CREG completely, and thus the entire transmission tariff for electricity, Elia is now obliged to submit a new tariff proposal which the CREG has to approve.

Since no transmission tariffs for the electricity grid are approved at the moment, it is in the best interest of Elia and the entire electricity market to obtain a new tariff decision as soon as possible, which should take into account the judgement of the Court of Appeal.

Although the regulatory situation following this judgement is uncertain, the Issuer is of the opinion that it can still validly charge the existing distribution tariffs, which include the transmission tariffs in accordance with the cascade principle, to the suppliers of electricity. The main reason for this is that the Issuer is obliged to apply the distribution tariffs as approved by the CREG and is not able to modify these tariffs without regulatory approval. Nevertheless, the Issuer intends to cover itself against a possible non-payment by the suppliers by legally subjecting every payment it makes to Elia to the receipt of the correct payments by the suppliers. In addition, to tackle a possible challenge of its invoices by Elia, the Issuer intends to make all payments to the transmission system operator subject to the preservation of all its procedural rights. In short, the Issuer's existing validly approved tariff decision combined with the measures implemented towards the suppliers and Elia make it very unlikely that the Issuer will suffer any losses in the context of this judgement.

Risks related to the profitability of the Issuer during the prolongation of the tariffs in 2013 and 2014

The Law considerably changed the regulatory framework for the distribution tariffs. The previous tariff provisions are all replaced or amended, and the Tariff Decrees that in the past established the tariff methodologies have been fully repealed. The regulator⁹ will have to establish the tariff methodologies following a structured, documented and transparent consultation with the DSOs. However, in practice it was judged impossible, because of time constraints, to reach an agreement on the tariff methodologies enabling the new tariffs for the new regulatory period (2013-2016) to be approved within the deadlines.

Consequently, for the period following the 2009-2012 regulatory period and preceding the expected date of the transfer of the tariff competencies to the regional regulators, the DSOs have obtained from the CREG a prolongation of the 2012 tariffs for the years 2013 and 2014. Legally the CREG decided, on the basis of a provision in the Law enabling it to take transitional measures, to freeze the tariffs for using the distribution networks for 2013 and 2014, in principle leaving it to the regional regulators and legislators to set the tariff framework for the years to come.¹⁰

However, this freezing of the tariffs could have a negative impact on the profitability of the Issuer in 2013 and 2014 as it implies, for example, (i) that the investments in the regulated assets that exceed the depreciation of the existing regulated assets do not lead to a price increase before 2015, or that (ii) higher

⁹ The Law refers to the CREG but, as described in paragraph *Transfer of distribution tariff competences to BRUGEL* on page 52, in practice the regional regulators will most likely be competent to establish the tariff methodology in the new regulatory period.

¹⁰ This "freezing" only concerns the distribution tariffs. It does not apply to the surcharges on the tariffs which can be adapted without a decision by the CREG. Neither does it apply to the tariffs for the use of the transport grid, operated by Elia, and reinvoiced by the DSOs to the suppliers. New Elia tariffs were approved by the CREG for the regulatory period 2012-2015 on the date of 24 November 2011 but these tariffs were recently annulled by a decision of the Court of Appeal of Brussels of 6 February 2013 as further described in the section hereinafter *Risks related to the profitability of the Issuer during the prolongation of the tariffs in 2013 and 2014*, page 10.

interest charges on the loans (for example linked to an increase in the financial debt), the costs of inflation or a sudden change in the volumes of gas or electricity distributed, do not lead to a tariff increase before 2015.

Although the decisions taken by the CREG to extend the current tariffs to 2013 and 2014 do not specify what will happen to the tariff balances resulting from the previous regulatory period (2009-2012) and the CREG currently delays the decision with regard to the determination of the balances for the years 2010 and 2011, invoking the uncertainty of the regulatory framework¹¹, it is possible that the CREG will make a decision on the level of the residual balances in 2013, both for the years 2010 and 2011, which are still awaited, and for 2012 and the overall regulatory period 2009-2012, as the guidelines given in the Law require. Nevertheless, as long as the balances of 2010, 2011 and 2012 have not been approved by the CREG, it seems that the decision regarding these balances will be the responsibility of the regional regulators. It is also expected that the CREG or (if the tariff competencies are regionalised in the meantime) the regional regulator will decide on the determination of the amount of the balances for the years 2013 and 2014, in accordance with the guidelines of the Law or in accordance with the regional legislation in force in the future. The allocation of these cumulative balances and their inclusion in future tariffs in the next regulatory period will most likely be decided by the future regional regulator, BRUGEL.

The expected decisions of the federal and regional regulators on these balances, and more particularly the rules on their allocation, could have a negative impact on the activities, financial situation and results of the Issuer.

Risks related a possible change in tariff methodology due to the envisaged transfer of the tariff competencies to the regional regulators

As described in detail in the paragraph *Risks related to the uncertain development of the regulatory framework*, page 4, the possible change of the federal regulatory framework further to request for annulment introduced before the Constitutional Court should have a limited, or no, impact on the regulatory framework applicable to the activities of the Issuer, because of the intended transfer in 2015 of the competencies related to the tariffs for using the distribution grids.

When transferring a competence from the federal level to the regional level, the federal legislation will continue to apply until the regional authorities concerned have repealed or replaced the federal legislation and the federal regulator remains competent until the regional legislator has designated the regional regulator to exercise this power. Consequently it remains to be seen what the Brussels legislator will decide upon this transfer and what type of tariff methodology the Brussels regulator (BRUGEL) will establish. A change in the tariff policy, for example with regard to the allocation and recovery of the tariff balances of the past, the future balances or the incentive regulation mechanisms, could affect the ability of the Issuer to generate profit.

Nevertheless it should be remembered that BRUGEL will be bound by the general principles contained in the Third Energy Package. More particularly, the regulator will have to ensure that the tariff methodology enables the DSOs to make the necessary investments in the grids as to be able to guarantee the viability of these grids. Moreover, the tariff methodology should guarantee the long term capacity of the grid to meet the reasonable demands for the distribution of electricity and natural gas.

The future attitude of the Brussels regional regulator, BRUGEL could have a negative impact on the activities, financial situation and results of the Issuer.

Risks related to maintenance of the Issuer's DSO status

As described in paragraph *Legal status of the DSOs*, pages 38 - 42, the Issuer has been designated a DSO by two decrees of the Brussels Government for a renewable period of 20 years expiring respectively on 26 November 2021 for electricity and 31 August 2026 for gas. At the end of this period, this designation may or may not be renewed. Nevertheless, it should be noted that every new incumbent who is designated to replace the Issuer will have to satisfy the legal requirements, which include obtaining a right of

¹¹ Study of the CREG of 28 June 2012 on the tariffs applied during the regulatory period 2009-2012 for the electricity and natural gas distribution grids in Belgium, p. 61.

ownership or use on the distribution grid concerned. The Issuer holds a right of ownership on the distribution grids in the Brussels Capital Region which it operates.

The designation ends in case of dissolution of the DSO.

Moreover, the DSOs designation may be revoked early. However, this early revocation may only take place in the event of a serious breach of duty of the DSO based, on the decision of the Brussels Government following the advice of BRUGEL, and after duly consulting all the parties involved. Such a revocation procedure has never been initiated against the Issuer.

The loss of its designation as DSO would have a negative impact on the Issuer's activities, financial situation and results.

Risks related to the public character of the Issuer and its non-commercial nature

In its capacity as an intermunicipal organisation having adopted the form of a cooperative society with limited liability, the Issuer is subject to a mixed regime. This regime is described in paragraph *Regime applicable to the issuer in its capacity as an intermunicipal organisation*, page 53. While being subject to certain provisions of the Belgian Companies Code, to the extent its articles of association do not deviate from the Code, the Issuer is a legal person under public law and without a commercial character. This capacity leads to the application of specific rules, in particular the principle of immunity from seizure of its assets necessary for the continuity of public services: the property of the Issuer cannot be seized unless it is clearly not useful for the fulfilment of its tasks. Almost all assets of the Issuer, and in particular the entire distribution grids (cabins, cables and pipelines in particular), are considered useful for the execution of its tasks, and benefit consequently from such an immunity regime. Hence the distribution grids held by the Issuer cannot be seized by the Bondholders. Although this hinders the potential enforcement of the Bonds, this principle ensures that the Issuer will be able to continue to fulfil its public service obligations and thus continue to generate revenue. In addition, and for the same reasons, the Issuer may not be declared bankrupt.

Risks related to the limited lifetime of the Issuer

As described in the paragraph *Regime applicable to the Issuer in its capacity as an intermunicipal organisation*, page 53, and in accordance with the applicable legislation, the duration of the Issuer is limited to thirty years by its articles of association. On the request of two thirds of the members present or represented at the general meeting, and insofar the positive votes casted comprise the majority of the valid votes of the representatives of the municipalities, this period may be extended by one or more periods, each of which may not exceed thirty years. In addition, the prolongation must be subject to a prior deliberation of the relevant municipal councils. According to the terms of the last renewal, the lifetime of the Issuer was extended to 29 April 2026.

The Issuer may only be dissolved earlier by an unanimous decision of all the municipalities. The articles of association also stipulate strict rules for the liquidation upon the expiry of the Issuer or in the event of its early dissolution. In particular, the municipalities or the association called on to continue the distribution activities are, in the event of dissolution, bound to take over all the distribution installations at their fair price as well as the personnel, including in principle the personnel of the operating companies allocated to the distribution activity on the territory concerned. In the event of dissolution, the repossession of the installations and activities of the Issuer may only commence when all the amounts due to the Issuer have been paid. In the meantime, the activity shall continue to be performed by the Issuer.

Finally, each shareholder may exit the Issuer before its end date in the limited cases given in the articles of association. These withdrawal scenarios are described in the paragraph "*Regime applicable to the Issuer in its capacity as an intermunicipal organisation*", page 53. In the event of withdrawal, the articles of association of the Issuer set strict rules, similar to those applicable in the event of dissolution: repossession by the withdrawing municipality of the grid installations located on its territory at their fair price and mandatory takeover of the personnel, including in principle the personnel of the operating companies allocated to the distribution activity on the relevant territory. In both scenarios the distribution installations should be valued at their correct price on the date of withdrawal or dissolution, according to an estimate made by a board of experts, nominated by the board of directors of the Issuer. This valuation has to be conducted on the basis of the economic value and parameters considered useful by the regulator for evaluating the installations and their yield; however, the installations will revert free of charge to the

relevant municipality if they were totally financed by the latter or with the aid of subsidies from other public administrations.

The withdrawal of one or more municipalities of the Issuer or the dissolution/liquidation of the Issuer may have a negative impact on the activities, financial situation or results. In these scenarios, it should be remembered that the aforementioned strict rules will strongly mitigate the impact on the financial situation and results of the Issuer.

Financial risks

Risks related to the increase of financial debts

It is to be noted that the Issuer currently has a very low level of financial indebtedness which at the end of 2012 represented only 29.52% for electricity and 20.65% for gas of its RAB. As a consequence of the current proposed transaction the level of indebtedness of the Issuer compared to its RAB value will only be influenced very lightly.

The Issuer will probably have to implement a substantial investment programme, primarily because of the gradual deployment of the smart grids and smart meters and, in addition, as a consequence of the further development of the decentralised generation of electricity. These investments, described in more detail in the paragraph *Future investments*, page 74, can only succeed if they are the result of a common vision shared by the authorities, regulators and operators regarding "smart" development (grid and meters) and the promotion of renewable energy. If this is the case these developments will lead to an increase in the Issuer's financial debt.

Furthermore, it should be noted that the Netherlands recently announced that the supply of low calorific value natural gas ("L gas") to the Belgian market will decrease as of 2025. This decision requires a conversion in Belgium from L gas to high calorific value natural gas and potentially requires additional investments by the Issuer in its networks in the future.

It is likely that these investments will be financed through debt. The Terms and Conditions of the Bonds do not explicitly provide a limit on the amount of the debt that the Issuer may incur. If the Issuer increases its indebtedness, this increase could have consequences for the Bondholders. Any such increase will primarily be intended to finance its investments in its grids and to bring its ratio of debt to RAB up to make it more in line with its long term objective of 60% of RAB (in which respect please refer to paragraph *"The Issuer's financing policy - General"* on page 68).

Interest rate risk

The Issuer operates in a regulated sector. As described in more detail in the paragraph *Regulated tariffs*, pages 43 - 51), the applicable regulatory framework for the period 2009-2012 stipulates that all the costs linked to the Issuer's financing policy (interest and other charges) are covered by the regulatory tariffs. However, as the tariffs are fixed for long term periods of four years, changes to the interest charges that occur during a given regulatory period will only be included in the tariffs of the next regulatory period.

In order to limit the interest rate risks, the Issuer has established a rate risk management policy that consists of diversifying the debt rate references between fixed and variable rates. The distribution may change according to market circumstances. The Issuer has no access to hedging derivatives of the "swap" or "cap" type. The rate positions are regularly reviewed whenever new finance is raised.

Credit and liquidity risk

The credit and liquidity risk is linked to the need for the Issuer to obtain the external financing that is necessary for, amongst others, the realisation of its investment programme (see paragraph *Future investments*, page 74) and for the refinancing of its existing financial liabilities. The Issuer's liquidity position also relies on maintaining its existing credit arrangements and facilities.

The sensitive and fluctuating situation of Europe's credit and capital market could, if it worsens, affect the activities, financial situation and results of the Issuer.

The Issuer's diversified and adapted financing policy (see paragraph *The Issuer's financing policy*, page 68) aims at limiting this credit and liquidity risk adequately.

The Issuer's short-term assets amounted to EUR 37,584,394.70 on 31 December 2011. These positive short-term assets are invested either with financial institutions or pursuant to an investment mandate, in the form of financial instruments that satisfy strict criteria to protect the invested capital and diversification. Nevertheless, a bankruptcy of these counterparties could have a negative impact on the activities, financial situation and results of the Issuer.

Risk on commercial activities - Risk of concentration

In the framework of its commercial risk policy, the Issuer has for the bulk of its activities the option to ask for a bank guarantee from its counterparties that do not meet the solvency criteria set by the Issuer. The Issuer applies a rigorous monitoring policy for its trade debtors and systematically evaluates the financial capacity of its counterparties. The risk of bankruptcy is thus fairly remote.

Nevertheless, given the fact that the number of debtors of the Issuer is limited - a single debtor (Electrabel Customer Solutions) represents more than 70% of the turnover of the Issuer - the risk linked to the solvency of the debtors of the Issuer is highly concentrated. A bankruptcy of a commercial counterparty, and especially one of the important debtors of the Issuer, could have a negative impact on the activities, financial situation and results of the Issuer.

Tax risk

As an intermunicipal organisation, and pursuant to article 180 of the Income Tax Code (ITC), the Issuer is subject to the taxation of legal entities, and not to corporation tax, as is the case for its subsidiaries. The regime for the taxation of legal entities, as described in article 220 and onwards of the ITC, is a more favourable system than the regime that governs regular companies.

It should nevertheless be emphasised that when determining the Belgian federal budget for 2013, the government had envisaged to subject the intermunicipal organisations to the corporation tax regime. Although the proposal was ultimately abandoned by the government, it cannot be ruled out that such a tax will be introduced during the next budget revision. However, the impact of such a measure on the Issuer should be limited, as the taxes chargeable to the Issuer can normally be included in the tariffs charged to the grid users. The primary risk of subjecting the Issuer to corporation tax is rather that the regulator would indicate that the corporation tax included in the tariffs could be reduced by increasing the Issuer's debt/equity ratio.

Although the intermunicipal organisation currently benefits from an exemption from corporation tax, it cannot be ruled out that a change in the tax regime or case law regarding the application of the tax rules will have a negative impact on the activities, financial situation and results of the Issuer.

Pension financing risk

The Issuer has no employees and has delegated the performance of its operational tasks to its wholly owned subsidiaries, Brussels Network Operations SCRL/CVBA ("**BNO**") and Metrix SCRL/CVBA ("**Metrix**") (as described in more detail in paragraph *Relations between the Issuer and its daily operation subsidiaries*, page 63 below).

The Issuer is charged by its subsidiaries, including BNO, at cost. The amounts paid by the Issuer to BNO include costs due on account of certain pension obligations of BNO. The Issuer has not made any provisions for these costs, which are paid to BNO as operating expenses out of the normal exploitation of the Issuer. Under the current regulation applicable to the distribution tariffs charged by the Issuer, these costs are added as surcharges to the distribution tariffs due to the Issuer by its customers. To the extent that, in the future, the regulation applicable to the Issuer would no longer allow these amounts to be passed on to the customers of the Issuer, this may have an adverse impact on the profitability of the Issuer. It should be noted that out of precaution it was decided at the level of Interfin SCRL/CVBA to create an unavailable reserve to be used only in relation to pension obligations. If the shareholders of Interfin SCRL/CVBA approve the financial statements for the financial year 2012, this reserve will be in an amount of EUR 172.5 million.

BNO was incorporated in 2006, by Electrabel together with Teveo SCRL/CVBA and Telfin NV/SA. Shortly after its incorporation, Electrabel contributed its branch of activities "Netten Réseaux Bruxelles", at that time operator of the networks of the Issuer, and the personnel attached to it to BNO, after which (on 1 September 2006) the Issuer acquired the shares in BNO.

The pension scheme of BNO was changed significantly in 1993, at which time (i) existing employees had the choice to opt for (a) lump sum payment at retirement age or (b) to stay in the existing annuities system. As from that time, (ii) it was decided that new employees entered into a pension fund based on a capitalisation mechanism in the form of a defined benefit system until 2002, and a defined contribution system afterwards, except in respect of former management employees.

It should be noted that, in respect of these pension systems of BNO:

- the amounts paid by the Issuer to BNO in respect of employees in the old annuities system in 2011, amounted to EUR 11,376,820.64, and such amount will gradually decrease in line with the falling number of beneficiaries; the total actuarial value of BNO's liabilities as at, 31 December 2012, was EUR 73,390,000¹². BNO has, in line with the accounting treatment that existed prior to it becoming a subsidiary of the Issuer, not made any provision for such amount; the Collective Bargaining Agreement of July 1980 with regard to additional pension and invalidity benefits¹³ on the basis of which this pension system was based, confirmed that these pensions were to be treated on the same basis as salaries;
- arrangements were made by the Issuer with Electrabel at the time of the acquisition of the shares in BNO in 2006 in respect of the pensions of the employees that had chosen, at the occasion of the 1993 overhaul of the pension system, to receive a lump sum payment amount at retirement (please refer to paragraph "*The Issuer's financing policy – Indebtedness*" on page 68 for more information on these arrangements); on 31 December 2012, the Issuer had, in relation to the pension system for the employees who opted to receive a lump sum payment at their retirement age, indebtedness outstanding in an amount of EUR 99,064,059.49 as a consequence of such arrangements;
- in respect of the defined benefit pension system, the BNO is a party to two pension funds (*OFP Fonds de Pension Elgabel* and *OFP Fonds de Pension Pensiobel*) managed at a sectoral level for which it invoices the costs to the Issuer; BNO has made sure that these funds are, in respect of employees of BNO, be funded up to 147% (for Pensiobel) and 165% (for Elgabel) of the level imposed by the FSMA as the competent regulator of these funds.

Operational and technical risks

Risks related to the development of decentralised electricity generation

A permanent balance should be ensured between generation and consumption on the low and medium voltage transmission and distribution grids. The recent European, federal and regional decisions all help to promote the decentralised generation of electricity and its harmonious integration in the grids. In this respect, reference is made to the decision by the government of the Brussels Capital Region to aim for 12% of green electricity generation by 2025. However, taking into account the urban nature of the Issuer's network, the impact of these decisions will most likely be limited: i.e. there are no plans regarding wind power, photovoltaic installations will only have a relatively low impact (bearing in mind the limited available areas) and cogeneration projects are generally regarded to have limited or uncertain potential in view of the expected reduction of heat requirements (incentives for thermal insulation)). This, together with the fact that the Issuer has a relatively large electricity grid, reduces, at least in the short term, the risks inherent to decentralised generation and the necessity to strengthen the grid and/or need to manage it flexibly. Hence, the situation of Issuer, located in the Brussels Capital Region is in that respect fundamentally different compared to the transmission system operators and the other DSOs in the other regions.

In any event any such additional investments would normally be covered by the distribution tariffs. Only to the extent that this would not be the case these future decisions might have an adverse impact on the Issuer's profit generating capabilities.

¹² This amount was calculated on the basis of (as at 1 January 2012) the following key assumptions: 562 beneficiaries with an average age of 83, a discount rate of 3.9%, inflation of 2% and an increase of the annual entitle in line with inflation.

¹³ Commission paritaire du Gaz et de l'Electricité, Convention Collective portant octroi de compléments de ressources de retraite d'invalidité et de survie des employés, juillet 1980.

Risks related to the uncertain development of electric vehicles

Because of its urban nature the Issuer's grid, more than others, expects to receive electric vehicles in the short to medium term: charging terminals on the roads, development of professional vehicle fleets, etc. The potential, and in particular the pace of development, of electric vehicles are, however, very uncertain. The Issuer recently conducted an analysis of the impact on its grid according to the various deployment scenarios. This study indicated that, even in the most voluntarist deployment scenario, the needs for reinforcement or flexible management of the grid should remain localised with a very limited financial impact over a 10 year horizon.

Risks related to the degradation of the grids

The Issuer manages its grids so as to ensure they are as reliable as possible. However, they are not immune to incidents that could lead to a local or general interruption of distribution. These incidents can be caused by natural phenomena, unintentional damage or malicious acts (sabotage, copper theft, etc). The insurance policies are aimed at partially covering the financial consequences of these risks.

The financial consequences of a degradation of the networks, to the extent not covered by the insurance policies, could have a negative impact on the activities, financial situation and results of the Issuer.

Human risk

The Issuer operates energy grids, a sector exposed to risks given the serious consequences that could arise from accidents or attacks on these installations. Even if all reasonable precautions and safety measures are introduced, people working on or near the distribution grids may, in the event of an accident, mistake or negligence, face the risk of electrocution (electricity network) or explosion (gas network). Irrespective of the activity in the company, the Issuer considers that it is crucial for the personnel employed by its operating subsidiaries to permanently keep the essential safety principles in mind and to respect the health and safety requirements in order to limit the risks of accidents and incidents in the workplace. In this respect, the Issuer and the relevant operating subsidiaries implement an action plan that is reviewed annually.

The Issuer and its operating subsidiaries conduct an active recruitment policy aimed at maintaining an appropriate level of expertise and know-how within a highly specialised sector. The difficulty of recruiting and retaining technical staff has caused the Issuer to implement an action plan aimed at strengthening its visibility and reputation on the labour market.

The volume of the number of recruits over the last few years has required the adoption and rigorous monitoring of a training plan for new recruits, including a system of mentoring to enable young people to discover the reality on the ground accompanied by older colleagues. This should allow them to become familiar with the various items of equipment used, the standard configurations as well as the educational network installed at the operating site. New recruits can see and handle the equipment, disconnected from the power supply (voltage, pressure).

Despite the training policies and health and safety requirements put in place by the Issuer and its operating subsidiaries, accidents and incidents that might occur could have a negative impact on the reputation, activities, financial situation and results of the Issuer.

Computer risk

The corruption or loss of its databases would seriously hinder the good operation of the company. To mitigate this risk, the Issuer takes the necessary measures to protect this information. Although it has two distinct computer rooms and redundant equipment, the Issuer has not yet drawn up a B.C.P. (business continuity plan) to guarantee the continuity of its activities in the event of a major disaster. A failure of the computer systems could lead to malfunctions, in particular of the applications and grids, or losses of data that could have a negative impact on the activities, financial situation and results of the Issuer.

Electronic and telecommunications risk

Today the Issuer's telecommunications system is not blackout resistant. The increasingly important use of electronic, computer and telecommunications technologies to manage its grids exposes the Issuer to a risk

of failure or sabotage (hacking) of these technological supports. In order to deal with this risk, protection studies are being conducted to secure these communication channels.

An electrical, computer and telecommunications failure could lead to malfunctions, in particular of the applications and the grid, that could have a negative impact on the activities, financial situation and results of the Issuer.

Environmental risk

The implementation of the Order on the management and decontamination of soil pollution of 5 March 2009 could give rise to certain expenses linked to the decontamination of certain polluted sites. In this context, the Issuer is taking appropriate measures for the prevention of soil pollution and information on the existence of pollution and is making provisions in this respect for the two sites which it owns. In this context the site housing the registered office of the Issuer has been subjected to a detailed soil survey and decontamination works have been conducted. In the same way, an exploratory soil survey was executed on the second site that it owns and risk management measures are being considered.

Moreover, the environmental risk linked to the transformer cabins is well under control. In fact the Issuer closed its replacement programme for transformers containing PCB's in 2009, and the Issuer has for several years conducted an investment programme for the installation of containment trays under the oil-containing transformers.

Although the appropriate safety measures have been implemented by the Issuer, future soil pollution on the sites could have a negative impact on the financial situation and results of the Issuer.

Risks of litigations

Litigation risks are inherent to the activities of the Issuer. Adequate provisions have been made to cover this risk and sufficient additional provisions will be made in case this risk materialises.

The absence of appropriate provisions for litigation could have a negative impact on the activities, financial situation and results of the Issuer.

The following are the litigations that are, at the date of this Prospectus, most relevant for the Issuer

- (a) The Issuer is the defendant in a dispute with the European Institutions. Invoking the Protocol on Privileges and Immunities of the European Union and the Treaty on the functioning of the European Union, the latter are of the view that they do not have to bear the costs of financing the regional public services obligations that their energy supplier charges them through their electricity and gas invoices. As these costs are registered to the invoice of the energy suppliers by the Issuer on behalf of the Region, the European Union submitted a claim for the exemption and recovery of the sums paid, both against their supplier and the Issuer. In addition, a claim has been made against the Region and the Belgian State, and the latter have not made specific exemption provisions in favour of the European Institutions. The claim amounts to EUR 4,040,000 for the period 2004-2008. Irrespective of the outcome of the dispute, the Issuer believes that it is not probable that it will ultimately have to bear the financial consequences of any judgement, given its limited role as the collecting agent for the disputed fees on behalf of the Brussels Capital Region. The Issuer has not considered it necessary to make a provision for this litigation in the financial statements of the Issuer as the Issuer only acts as agent for the collection of such amounts.
- (b) The Issuer is also involved as a third party in proceedings between two public transport companies and their electricity suppliers. These companies dispute their suppliers' invoices, passing on the road usage tax included in the transmission and distribution tariffs. They argue that their specific status exempts them from such taxes. The total amount of the dispute amounts to approximately EUR 6,000,000 (excluding interest and any increases during the proceedings). The Issuer and the transmission system operator have been called to intervene by the suppliers as third parties for contribution and indemnity, if the latter are required to refund the corresponding amounts of these taxes. Several municipalities, to which these taxes have been fully repaid by the Issuer and the transmission system operator, have also been called in as third parties for contribution and indemnity. Irrespective of the outcome of the dispute, the Issuer believes that it is not probable that it will ultimately have to bear the financial consequences of any judgement.

The Issuer has not considered it necessary to make a provision for this litigation in the financial statements of the Issuer.

- (c) The Issuer is the defendant in a case brought by a company claiming compensation for the damage that it alleges it has suffered because another company was favoured over it for the award of a public contract for collection services. The Issuer was condemned by the Court of First Instance to pay an amount of EUR 30,000 to compensate for the damage on the part of the supplanted company, consisting of the loss of an opportunity to obtain the contracts, while that company provisionally evaluates its damage at EUR 1,000,000. The plaintiff has appealed against this decision. The financial statements of the Issuer for the financial year 2011 contain a provision for an amount of EUR 496,295.
- (d) The Issuer is in a dispute with a computer company regarding the method for calculating the number of users for which the user rights to a highly specialised software package have been acquired. This company is claiming the payment of additional licenses for an amount to EUR 630,000. The case is still being negotiated. Consequently, no legal action has been started at this stage. The financial statements of the Issuer for the financial year 2011 contain a provision for an amount of EUR 629,000.

Risks linked to internal control mechanisms

The Issuer has implemented several internal control activities. Nevertheless the internal processes could have an impact on the results of the company and must be controlled. Any inadequacy of control over the internal processes could have a negative impact on the activities, and to a lesser extent, on the financial situation and results of the Issuer.

Risk regarding the Issuer's purchase operations

The Issuer is subject to public procurement legislation for its purchase operations. The initiation and negotiation of any contract is subject to the elaboration of a purchasing strategy, one of the objectives of which is to limit any "bad purchasing". If necessary, this strategy includes the principle of multiple sourcing. Nevertheless, in certain areas there is a certain dependency on subcontractors with whom the Issuer has contracted through public contracts. In fact, in the event of the bankruptcy of one of them, the contract will have to be renegotiated, which always carries a cost and may also have a negative impact on the contract price.

Despite these procurement procedures, a too great dependence on certain suppliers could have a negative impact on the activities, financial situation and results of the Issuer.

Risk coverage and insurance

The Issuer ensures that the greatest possible proportion of the risks are covered by adequate insurance policies.

In this respect, the Issuer, on 1 January 2013, together with Eandis and Ores, entered into new insurance policies, insuring coverage for its civil liability up to EUR 150,000,000, all limits combined, depending on the case per claim and/or per insurance year. The first limit, which is subject to a policy specific to each company, provides an indemnity of EUR 5,000,000, while the following segment provides an indemnity of EUR 145,000,000 through a joint policy for the three operators. The environmental risk is also subject to specific insurance cover for an amount of EUR 20,000,000, all segments together. Like the above civil liability operating policy, this policy covers accidental pollution but also gradual pollution own damage and damage to biodiversity.

Finally, the relevant elements of the real estate of the Issuer are insured through an "all risks except" insurance.

The statutory insurance for the personnel of the Issuer's operating subsidiaries is organised in a way that is fully compliant with the law. In addition, the Issuer has taken out extra-legal insurance in favour of its personnel.

In the event of a major disaster, the non-coverage by an insurance policy of all the financial consequences of this disaster could have a negative impact on the activities, financial situation and results of the Issuer.

Macroeconomic and economic climate risks

The economic crisis currently plaguing Europe and the world could have repercussions on the demand for gas and electricity. However, a reduction in the volumes of electricity and gas distributed due to macroeconomic factors or the economic climate is a risk that is in principle not borne by the Issuer, as under the current regulatory regime the loss of revenue resulting from reductions in volumes can normally be recovered through the approval of the regulatory balances at the end of the regulatory period, and in principle these balances will be included in the tariffs of the next regulatory period.

If the loss of revenue cannot be recovered in this way, a decrease of the demand for gas and electricity could have a negative impact on the activities, financial situation and results of the Issuer.

Risks related to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in, or annexed to, this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There is no active trading market for the Bonds

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's results of operations. Although application has been made for the Bonds to be listed on NYSE Euronext Brussels, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Modifications and waivers

The articles of association of the Issuer contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Change of Control Put

Each Bondholder, at its own initiative, will have the right to require the Issuer to redeem all or any part of such holder's Bonds at their principal amount, upon the occurrence of a Change of Control (as defined in

the "Terms and Conditions" below) of the Issuer. If the procedure described in the Terms and Conditions has validly been followed, the Issuer may not refuse to redeem the Bonds.

In the event that such Change of Control Put right is exercised by holders of at least 85 per cent of the aggregate principal amount of the Bonds for the time being outstanding, the Issuer may, having given notice in the form and within the timeframe described in the Terms and Conditions, redeem all (but not some only) of the Bonds then outstanding at their principal amount. Payment in respect of any such Bond shall be made as specified in the Terms and Conditions.

However, Bondholders should be aware that, in the event that (i) holders of 85 per cent or more of the aggregate principal amount of the Bonds exercise their option under Condition 5(c)(i), but the Issuer does not elect to redeem the remaining outstanding Bonds, or (ii) holders of a significant proportion, but less than 85 per cent of the aggregate principal amount, of the Bonds exercise their option under Condition 5(c)(i), Bonds in respect of which the Change of Control Put is not exercised may be illiquid and difficult to trade.

Change of law

The Terms and Conditions of the Bonds are based on Belgian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to such law or administrative practice after the date of this Prospectus.

EU Savings Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), member states of the European Economic Union (the "**EU Member States**" and each a "**EU Member State**") are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other EU Member State or to certain limited types of entities established in that other EU Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers. If a payment were to be made or collected through a paying agent established in any state which applies the withholding tax system and an amount of, or in respect of, tax were to be withheld from that payment, none of the Issuer and the Agent or any other person would be obliged to pay additional amounts to the Bondholders or to otherwise compensate Bondholders for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the

Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds, and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Potential Conflicts of Interest

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Bonds and which could be deemed to be adverse to the interests of the Bondholders.

The Agent and the Lead Manager might have conflicts of interests which could have an adverse effect to the interests of the Bondholders.

Potential investors should be aware that the Issuer may be involved in a general business relation or/and in specific transactions with the Agent or/and of the Lead Manager and that they might have conflicts of interests which could have an adverse effect to the interests of the Bondholders.

Risks related to taxation

Belgian Withholding Tax

If the Issuer, the NBB, the Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Bonds, the Issuer, the NBB, the Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Bondholder in respect of the Bonds, after withholding for any taxes imposed by tax authorities in the Kingdom of Belgium upon payments made by or on behalf of the Issuer in respect of the Bonds, will equal the amount which would have been received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Bond in the circumstances defined in Condition 7 (*Taxation*) of the Terms and Conditions of the Bonds.

Taxation

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisors are in a

position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Reliance on the procedures of the Clearing System, Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Bonds will be issued in dematerialised form in accordance with Article 3, §2 of the Belgian law of 14 December 2005 on the suppression of bearer securities and Article 20*bis* of the articles of association of the Issuer. The Bonds cannot be physically delivered. The Bonds will be represented exclusively by book entries in the records of the Clearing System. The Bonds are tradable on a fungible basis in accordance with the Royal Decree Number 62 of 10 November 1967 on the promotion of the circulation of securities. Access to the Clearing System is available through its Clearing System participants whose membership extends to securities such as the Bonds. Clearing System participants include certain banks, stockbrokers, and Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Bonds will be effected between the Clearing System participants in accordance with the rules and operating procedures of the Clearing System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Clearing System participants through which they hold their Bonds.

Neither the Issuer nor the Agent will have any responsibility for the proper performance by the Clearing System or the Clearing System participants of their obligations under their respective rules and operating procedures.

A Bondholder must rely on the procedures of the Clearing System, Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Bonds within the Clearing System.

The obligation of the Issuer to pay interest and/or principal in respect of the Bonds will, pursuant to article 14 of the Belgian Royal Decree of 10 November 1967 on the custody of fungible financial instruments and the settlement of transactions in these instruments, be satisfied through the payment of such amounts to the Clearing System. Consequently, if the Issuer has paid the amounts due by it to the Clearing System and, for any reason whatsoever, a holder of Bonds does not receive the amounts due to it, such holder will have no right to claim payment of such amounts from the Issuer.

The Bonds are structurally subordinated to the secured obligations of the Issuer

The Bonds are structurally subordinated to the secured obligations of the Issuer. The Bonds constitute direct, general, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and futures unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are of general application. Upon a winding-up of the Issuer or if insolvency proceedings would ever be brought in relation to the Issuer, the Bonds will be effectively subordinated to all of the Issuer's other secured indebtedness to the extent of the value of the collateral securing such indebtedness.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time

The Issuer is not rated and the Bonds are not intended to be rated. One or more independent credit rating agencies may assign credit ratings to the Issuer, the Bonds, or to other securities issued by the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be downgraded revised or withdrawn by the rating agency at any time.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds.

The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer of 19 November 2012. A domiciliary and paying agency agreement has been entered into between the Issuer and BNP Paribas Securities Services, acting through its Brussels branch, acting as domiciliary and paying agent (the "**Agent**"), which expression shall include any successor Agent under the Agency Agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") on 16 May 2013 in relation to the Bonds. Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of the Agent. The specified office of the Agent is at 2, Boulevard Louis Schmidt, 1040 Brussels. The Bondholders are bound by and deemed to have notice of all provisions of the Agency Agreement applicable to them.

References herein to "Conditions" are, unless the context otherwise requires, to the numbered paragraphs below.

1. **Form, Denomination and Title**

The Bonds are issued in dematerialised form in accordance with Article 3,§2 of the Belgian law of 14 December 2005 on the suppression of bearer securities and Article 20bis of the articles of association of the Issuer. The Bonds cannot be physically delivered. The Bonds will be represented exclusively by book entry in the records of the clearing system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**NBB System**"). The Bonds can be held by their holders through participants in the NBB System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Bonds through Euroclear and Clearstream, Luxembourg, or other participants in the NBB System. The Bonds are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian royal decrees of 26 May 1994 and 14 June 1994 (each as amended or re-enacted or as their application is modified by other provisions from time to time) and the rules of the NBB System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition being referred to herein as the "**NBB System Regulations**"). The Bonds are tradable on a fungible basis in accordance with the Royal Decree Number 62 of 10 November 1967 on the promotion of the circulation of securities. Title to the Bonds will pass by account transfer. The Bondholders will not be entitled to exchange the Bonds into bonds in bearer form. No definitive bearer certificates will be delivered.

If at any time the Bonds are transferred to another clearing system, not operated or not exclusively operated by the NBB, these provisions shall apply *mutatis mutandis* to such successor clearing system and successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an "**Alternative Clearing System**").

The Bonds are in principal amounts of Euro 100,000 each (the "**Specified Denomination**").

2. **Status**

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and shall rank (subject to Condition 3 (*Negative Pledge*)) equally with all its respective other present and future unsecured and unsubordinated obligations, save, in each case, for any such obligations that may be preferred by provisions of law that are of general application.

3. **Negative Pledge**

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that it and any other member of its Group will not, create, grant or permit to subsist any Security Interest upon, or with respect to, the whole or any part of the Issuer's business, undertaking, assets or revenues present or future to secure any Relevant Indebtedness, unless at the same time or prior thereto,

the Issuer's obligations under the Bonds (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a resolution of the meeting of the Bondholders.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below.

"Group" means Sibelga, an *"association intercommunale ayant pris la forme d'une société coopérative à responsabilité limitée" / "intergemeentelijke vereniging die de vorm heeft aangenomen van een coöperatieve vennootschap met beperkte aansprakelijkheid"* and each of its Subsidiaries from time to time.

"Relevant Indebtedness" means any present or future indebtedness in the form of, or represented by bonds, notes or other transferable securities (*"valeurs mobilières" / "effecten"*) which are for the time being quoted or listed or capable of being quoted or listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue and any guarantee or indemnity of any such indebtedness.

"Security Interest" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

"Subsidiary" shall have the meaning set forth in Article 6 of the Belgian Company Code and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

4. **Interest**

The Bonds bear interest from and including 23 May 2013 at the rate of 3.20 per cent. per annum, payable annually in arrear on 23 May in each year (each an **"Interest Payment Date"**). Each Bond will cease to bear interest from (and including) its the due date for redemption unless payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until the day on which all sums due in respect of such Bond up to that day are paid by the Issuer to the Agent for the benefit of the Bondholders.

Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day-count fraction used will be the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

In these Conditions, the period beginning on and including 23 May 2013 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **"Interest Period"**.

Interest in respect of any Bond shall be calculated per Specified Denomination. The amount of interest payable per Specified Denomination for any period shall be equal to the product of 3.20 per cent, the Specified Denomination and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a eurocent being rounded upwards).

5. **Redemption and Purchase**

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 23 May 2023 (the **"Maturity Date"**). The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 5(b) (Redemption for taxation reasons) or Condition 5(c)(ii) (Issuer's option to redeem upon a Change of Control).

- (b) **Redemption for taxation reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable in accordance with Condition 11 (Notices)) at their principal amount (together with interest accrued to (and excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Belgium, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 May 2013, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Issuer shall publish such certificate on its website (currently www.sibelga.be) as long as any Bond remains outstanding.

The Issuer shall redeem the Bonds after the expiry of the notice referred to in this Condition 5(b).

- (c) **Redemption at the Option of Bondholders Upon a Change of Control**

- (i) *Exercise of Put Option*

In the event that a Change of Control occurs then each Bondholder will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount (together with interest accrued to (and excluding) the date fixed for redemption).

To exercise such right, the relevant Bondholder must, at any time during the Change of Control Put Exercise Period, (i) deliver or cause to be delivered to the Agent a certificate issued by the relevant recognised accountholder certifying that the relevant Bond is held to its order or under its control and blocked by it or transfer the relevant Bond to the Agent and (ii) deliver or cause to be delivered to the Agent a duly completed put option notice (a "**Change of Control Put Exercise Notice**"), substantially in the form set out in Annex 3 to the Prospectus. Upon receipt of such Change of Control Put Exercise Notice, the Agent shall deliver a duly completed receipt for such Change of Control Put Exercise Notice (a "**Put Exercise Receipt**") to the depositing Bondholder and provide a copy of the Change of Control Put Exercise Notice to the Issuer. The Issuer will not be liable for any action, inaction or late action of a financial intermediary through which the Bondholder holds its Bond (the "**Intermediary**") or the Agent and any fees charged by the Intermediary and/or the Agent in relation to the deposit of the Change of Control Put Exercise Notices or the transfer of the relevant Bonds will be borne by the relevant Bondholders.

A "**Change of Control**" shall occur in case Interfin, an "*association intercommunale ayant pris la forme d'une société coopérative à responsabilité limitée*" / "*intergemeentelijke vereniging die de vorm heeft aangenomen van een coöperatieve vennootschap met beperkte aansprakelijkheid*", or the municipalities shareholder of Interfin do no longer exercise the direct or indirect control over the Issuer (within the meaning of article 5 of the Belgian Company Code), save (i) to the extent approved in advance by a resolution of the meeting of the Bondholders or (ii) to the extent any other public authority (including any *association intercommunale* / *intergemeentelijke vereniging*, but only to the extent such association intercommunale / *intergemeentelijke vereniging* is wholly owned by municipalities (communes / gemeenten)) or regional government in the Brussels Capital Region, or any public agency of such public authority or regional government, takes control over the Issuer (within the meaning of article 5 of the Belgian Companies Code).

The "**Change of Control Put Exercise Period**" shall be the period commencing on the date of a Change of Control and ending 15 calendar days following the Change of Control, or, if later, 15 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 5(c)(ii).

The "**Change of Control Put Date**" shall be the 14th TARGET Business Day after the last day of the Change of Control Put Exercise Period.

Payment in respect of any such Bond shall be made by transfer to a Euro account maintained with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(ii) *Issuer's option to redeem upon a Change of Control*

If, as a result of this Condition 5(c)(i), Bondholders submit Change of Control Put Exercise Notices in respect of at least 85 per cent. of the aggregate principal amount of the Bonds for the time being outstanding, the Issuer may, having given not less than 15 nor more than 30 days notice to the Bondholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Bonds then outstanding at their principal amount. Payment in respect of any such Bond shall be made as specified above.

(iii) *Change of Control Notice*

Within 15 calendar days following a Change of Control, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 11 (*Notices*) (a "**Change of Control Notice**"). The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds at their principal amount pursuant to Condition 5(c)(i).

The Change of Control Notice shall also specify:

- (A) the nature of the Change of Control;
- (B) the last day of the Change of Control Put Exercise Period; and
- (C) the Change of Control Put Date.

For the purposes of the Conditions:

"**TARGET Business Day**" means a day (other than a Saturday or Sunday) on which the TARGET System is operating for the settlement of payments in Euro;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**TARGET System**" means the TARGET2 system.

- (d) **Purchase:** Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase any Bonds in the open market or otherwise at any price.
- (e) **Cancellation:** All Bonds which are redeemed will be cancelled and may not be re-issued or resold. Bonds purchased by the Issuer or any of its Subsidiaries may be held or resold at the option of the Issuer or relevant Subsidiary, or cancelled.

6. **Payments**

- (a) **Method of Payment:** All payments of principal or interest in respect of the Bonds shall be made through the Agent and the NBB System in accordance with the NBB System Regulations. Each payment in respect of the Bonds pursuant to this Condition 6(a) will be made by transfer to a Euro account maintained by the Bondholder with a bank in a city in which banks have access to the TARGET System.
- (b) **Payments subject to laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payments on TARGET Business Days:** If any date for payment in respect of the Bonds is not a TARGET Business Day, the Bondholder shall not be entitled to payment until the next following TARGET Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding TARGET Business Day. The Bondholder shall not be entitled to any interest or other sum in respect of such postponed or anticipated payment. For the purpose of calculating the interest amount payable under the Bonds, the Interest Payment Date shall not be adjusted.

7. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) **Other connection:** by or on behalf of a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Kingdom of Belgium other than the mere holding of the Bond; or
- (b) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) **Non-Eligible Investor:** to a Bondholder, who at the time of issue of the Bonds, was not an eligible investor within the meaning of Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax or to a Bondholder who was such an eligible investor at the time of issue of the Bonds but, for reasons within the Bondholder's control, either ceased to be an eligible investor or, at any relevant time on or after the issue of the Bonds, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the law of 6 August 1993 relating to certain securities; or
- (d) **Conversion into registered securities:** to a Bondholder who is liable to such Taxes because the Bonds were upon his/her request converted into registered Bonds and could no longer be cleared through the NBB System.

References in these Conditions to "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition 7 (*Taxation*).

8. **Events of Default**

If any of the following events ("**Events of Default**") occurs, any Bond may, by giving written notice to the Issuer with a copy to the Agent be declared by the relevant Bondholder to be immediately repayable, whereupon such Bond shall become immediately due and payable at its

principal amount together with accrued interest (if any) to (and excluding) the date of payment, unless such event shall have been remedied prior to the receipt of such notice by the Agent:

- (a) **Non-Payment:** the Issuer fails to pay the principal of or premium or interest on any of the Bonds when due and such failure continues for a period of 7 days for technical reasons only; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other covenants, agreements or undertakings under or in respect of the Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within 15 days after notice of such default shall have been given to the Issuer by any Bondholder; or
- (c) **Cross-Acceleration:**
 - (i) any other indebtedness of the Issuer for borrowed money, present or future, actual or contingent, as principal or surety or otherwise and including but not limited to any loans, guarantees, bonds or security agreements ("**Indebtedness**") becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described), or
 - (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or
 - (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness,

provided that the aggregate amount of the Indebtedness, guarantees and indemnities in respect of which the relevant event has occurred equals or exceeds, whether individually or in the aggregate, EUR 20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this paragraph operates) and provided further that the Issuer shall not be deemed to be in default with respect to such Indebtedness, guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or

- (d) **Security Enforced:** any Security Interest created or assumed by the Issuer in respect of any of its property or assets for an amount of at least EUR 20,000,000 or its equivalent becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (e) **Insolvency:** the Issuer is unable to pay its debts as they fall due, stops, suspends or announces its intention to stop or suspend payment of all or substantially all of (or of a particular type of) its debts or makes any agreement for the deferral, rescheduling or other readjustment of all or substantially all of (or of a particular type of) its debts (in each case which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or substantially all of (or of a particular type of) its debts or a moratorium is declared or comes into effect in respect of all or substantially all of (or of a particular type of) the debts of the Issuer; or
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (g) **Electricity and gas distribution:** the Issuer ceases to be the owner of the entire, or substantially the entire, electricity and gas distribution grid in the Brussels Capital Region or ceases to be recognised as a distribution system operator (or similar legal statute) in the Brussels Capital Region; or
- (h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds admissible in evidence in the courts of Belgium is not taken, fulfilled or done, in each

case save to the extent such event or circumstance does not affect any rights the holder of a Bond has against the Issuer in respect of the Bonds; or

- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any or more of its obligations under any of the Bonds, save to the extent such unlawfulness does not affect any rights the holder of a Bond has against the Issuer in respect of the Bonds.

9. **Prescription**

Claims against the Issuer for payment in respect of principal and interest on the Bonds shall be prescribed and become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date in respect of such payment.

"Relevant Date" means, in respect of any Bond, whichever is the later of: (i) the date on which payment in respect of it first becomes due; and (ii) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 11 (*Notices*) that such payment will be made, provided that such payment is in fact made as provided in these Conditions.

10. **Meetings of Bondholders, Modification and Waiver**

- (a) **Meetings of Bondholders:** The articles of association of the Issuer contain provisions for convening meetings of Bondholders to consider matters affecting their interests.

All meetings of Bondholders will be held in accordance with the provisions of the articles of association of the Issuer. Subject to the quorum and majority requirements set out in the articles of association of the Issuer, the meeting of Bondholders shall be entitled to exercise the powers set out in the articles of association of the Issuer and, where applicable upon request of the Issuer, to modify or waiver any provision of these Conditions, including the proposal to (i) change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds or to alter the method of calculating the amount of any payment in respect of the Bonds on redemption or maturity or the date for any such payment, (ii) effect the exchange, conversion or substitution of the Bonds for, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (iii) change the currency in which amounts due in respect of the Bonds are payable.

Resolutions duly passed in accordance with these provisions shall be binding on all Bondholders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

- (b) **Modification and Waiver:** These Conditions may be amended without the consent of the Bondholders to correct a manifest error or to comply with mandatory provisions of law. The Agency Agreement may be amended without the consent of the Bondholders. The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

11. **Notices**

Notices to the Bondholders shall be valid if (i) delivered by or on behalf of the Issuer to the NBB System, Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**") for communication by them to their participants and (ii) if published on its website (currently www.sibelga.be). Any such notice shall be deemed to have been given on the latest day of (i) seven days after its delivery to the Clearing Systems and (ii) publication on its website.

The Issuer shall further ensure that all notices are duly published in a manner which complies with the rules and regulations of NYSE Euronext Brussels and on any stock exchange or other relevant authority on which the Bonds are listed. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper

or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner.

In addition to the above communications and publications, with respect to notices for a meeting of Bondholders, any convening notice for such meeting shall be made in accordance with the articles of association of the Issuer.

12. **Further issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

13. **Governing law**

- (a) **Governing Law:** The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by, and shall be construed in accordance with, Belgian law.
- (b) **Jurisdiction:** The courts of Brussels, Belgium are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and any non-contractual obligations arising out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds and any non-contractual obligations arising out of or in connection with the Agency Agreement or the Bonds ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Waiver of immunity:** The Issuer hereby irrevocably and unconditionally to the fullest extent permitted by law waives with respect to the Bonds, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consent, to the fullest extent permitted by law, to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any suit, action or proceeding.
- (d) **Direct Rights:** To the extent necessary, the Issuer grants to each Bondholder such rights against the Issuer provided for in Article 12 and 13 of the Royal Decree Number 62 of 10 November 1967 on the promotion of the circulation of securities.

CLEARING

1. The Bonds will be accepted for clearance through the Clearing System under the ISIN number BE0002199652 and Common Code 093576268 with respect to the Bonds, and will accordingly be subject to the NBB System Regulations. The Bonds are tradable on a fungible basis in accordance with the Royal Decree Number 62 of 10 November 1967 on the promotion of the circulation of securities.
2. The number of Bonds in circulation at any time will be registered in the register of registered securities of the Issuer in the name of the NBB.
3. Access to the Clearing System is available through those of its Clearing System participants whose membership extends to securities such as the Bonds.
4. Clearing System participants include certain banks, stockbrokers, and Euroclear and Clearstream, Luxembourg. Accordingly, the Bonds will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Bonds within securities accounts in Euroclear and Clearstream, Luxembourg.
5. Transfers of interests in the Bonds will be effected between Clearing System participants in accordance with the rules and operating procedures of the Clearing System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Clearing System participants through which they hold their Bonds.
6. BNP Paribas Securities Services, a French bank acting through its branch at boulevard Louis Schmidt 2, 1040 Brussels, Belgium, RPM Brussels 471.778.603 (the "**Agent**") will perform the obligations of domiciliary agent included in a clearing services agreement to be entered into on or about 23 May 2013 in relation to the Bonds between the Issuer, the NBB and the Agent (the "**Clearing Services Agreement**").
7. The Issuer and the Agent will not have any responsibility for the proper performance by the Clearing System or its Clearing System participants of their obligations under their respective rules and operating procedures.

DESCRIPTION OF THE ISSUER

General

The Issuer is the intermunicipal organisation, Sibelga, with its registered office at Quai des Usines / Werkhuizenkaai, 16, B-1000 Brussels, and registered with the enterprise register (*register des personnes morales / rechtspersonenregister*) in Brussels under enterprise number 0222.869.673.

The Issuer is an intermunicipal organisation having taken on the form of a cooperative company with limited liability (*société cooperative à responsabilité limitée / cooperatieve vennootschap met beperkte aansprakelijkheid*) under Belgian law. The Issuer was incorporated under the name "Interelec" for a period of 30 years, starting on 29 June 1982, according to the deed published in the Annexes to the Belgian State Gazette of 8 July 1983 under number 1755-3. It was authorised by the Royal Decree of 24 June 1982. Its articles of association were approved by the Royal Decree of 1 December 1982 and published in the Annexes to the Belgian State Gazette of 8 July 1983 under number 1755-3. Pursuant to a decision of 29 April 1996, its term was extended until 29 April 2026.

The articles of association of the Issuer have been modified several times and for the last time pursuant to a deed of notary Matthieu Derynck, a notary in Brussels, Belgium, on 22 October 2012, published in the Annexes to the Belgian State Gazette on 21 November 2012.

The website of the Issuer can be accessed via www.sibelga.be. The telephone number of its registered office is +32 (2) 274 3111.

In accordance with article 3 of its articles of association, the Issuer's primary goal is to ensure the management of the energy distribution grid situated on the territory of the associated municipalities in Brussels.

History

Until 31 December 2002, the distribution of electricity and gas in the Brussels Capital Region was ensured by 3 intermunicipal organisations: Sibelgaz (who also operated in Flemish Brabant), Interelec and Interga. Electrabel SA held 50% of the capital of these 3 distribution intermunicipal organisations, its personnel managed these organisations.

Pursuant to the order of 19 July 2001 organising the electricity market, the extraordinary general meetings of Interelec, Interga and Sibelgaz of December 2002 approved the re-aggregation, on 1 January 2003, of the distribution of electricity and gas for the nineteen municipalities of the Brussels region into a single intermunicipal organisation called Sibelga. Accordingly, 2003 was the first financial year of the Issuer as the sole operator of the natural gas and electricity distribution grids in the Brussels Capital Region.

In practice, the re-aggregation is the result of:

- (a) a merger by absorption of Interga by Interelec;
- (b) a contribution of branches of electricity and gas activities from Sibelgaz to Interelec;
- (c) the admission of new members;
- (d) the transfer of shares between shareholders (A1 shares); and
- (e) the change of name from Interelec to Sibelga.

This re-aggregation was realised according to the deed of notary Thierry Van Halteren, notary in Brussels, of 16 December 2002, published in the Annexes to the Belgian State Gazette on 16 January 2003. As indicated above, the functions devolved to the intermunicipal organisation were historically dealt with by Electrabel who also held 50% of its capital.

On 29 September 2003, an agreement was signed between Interfin and the Issuer on the one hand and Electrabel on the other hand, to organise its complete withdrawal, both as a shareholder and operator of the activities of the Issuer over a period of 9 years, and this in several stages:

- (a) The Issuer established its own service departments, which since 1 January 2004 ensure the operation in the following three fields: the tasks allocated to the Issuer by Order, access to the grid, and the public service obligations in social matters, the rational use of energy and public lighting.
- (b) Electrabel created together with Teveo SCRL/CVBA and Telfin NV/SA, Brussels Network Operations SCRL/CVBA (abbreviated to BNO) on 11 May 2006.
- (c) BNO started its activities on 1 July 2006. On this date, Electrabel contributed its branch of activities "Netten Réseaux Bruxelles", operator of the networks of the Issuer, and the personnel attached to it to BNO.
- (d) On 1 September 2006, the Issuer purchased all of the BNO shares held by Electrabel, with BNO becoming a subsidiary of the Issuer.

The restructuring operations were implemented in the framework of decisions taken by the shareholders to restructure the daily management of the Brussels distribution grid operations by prematurely terminating the services provided by Electrabel SA pursuant to the articles of association of the intermunicipal organisation.

The complete liberalisation of the electricity and gas market on 1 January 2007 had the following consequences:

- (a) Closing of the customer accounts of the Issuer, supplied by default by Electrabel Customer Solutions (ECS), in the framework of an account closing agreement.
- (b) The elimination of the captive customers of the intermunicipal organisation had repercussions on the accounts, leading to:
 - (i) on the one hand, the elimination of the intangible fixed assets relating to the intangible contributions of value and the rights defined in articles 7 and 9 of the articles of association, booked to the asset side of the balance sheet, as well as their counterpart, represented by the shares, booked to the liability side of the balance sheet; and
 - (ii) on the other hand, the application of the aforementioned agreement of 2003 on the balance in the electricity and gas supply activities and the grid operations in the Brussels Capital Region, anticipating the increase of Interfin in the share capital of the Issuer, to thereby hold - with effect from 1 January 2007 - close to 70% of the shares instead of the previous 50%.

On 1 October 2009 the staff still employed by the Issuer joined BNO. Thus, since 1 October 2009 BNO has been responsible for the daily management of all of the gas and electricity distribution network operating activities in the Brussels Capital Region (and this including the public service obligations incumbent on the Issuer), save for the meter reading services. These services have been carried out by Metrix SCRL/CVBA, the other operating subsidiary of the Issuer, which was incorporated to provide this service.

The agreement on the balance in the gas and electricity supply activities and the grid operating activities in the Brussels Capital Region, signed on 29 September 2003, provided for the disposal by Electrabel of its participation in the share capital the Issuer on 31 December 2012. On this date, Interfin purchased the A2 shares from Electrabel, which represent 30% of the existing A shares.

Role and position of the DSOs in the Belgian energy value chain

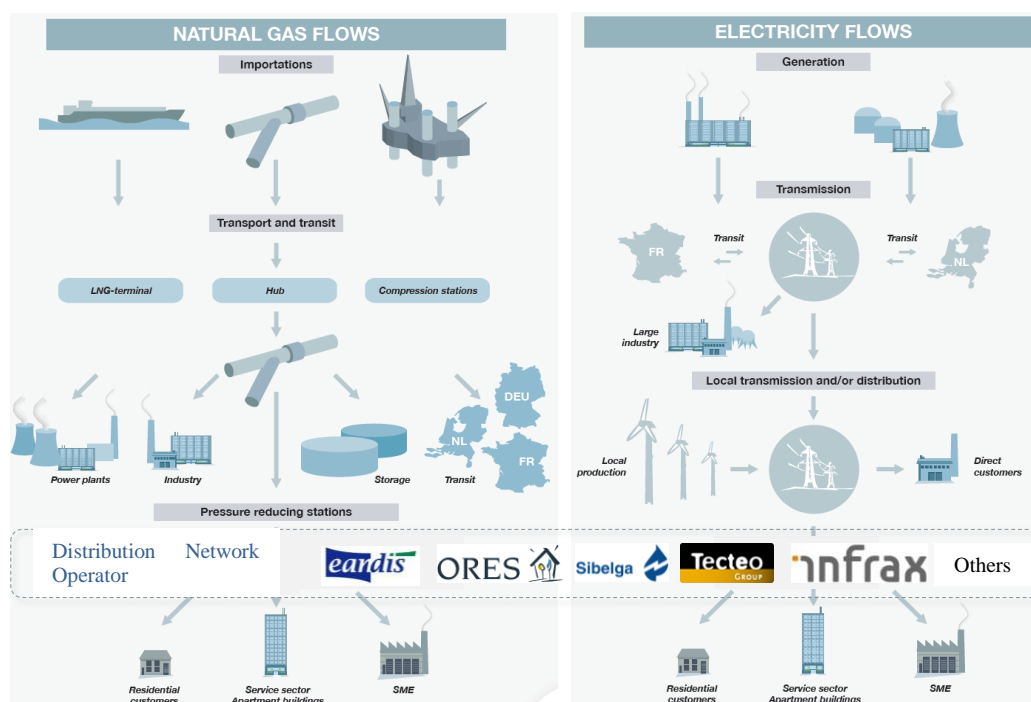
Overview

As the table below shows, the energy industry in Belgium can be broadly divided into three segments. The first segment corresponds power generation and the import of natural gas. Important players in this segment include Electrabel (GDF SUEZ), SPE (EDF) and ENI.

The second segment corresponds to the grid operations. This activity, which is regulated by law, can be subdivided into: (i) the operation of the transport grids and (ii) the operation of distribution grids. The operation of transport grids relates to (i) activities involving the transport of electricity over high and very high tension grids, with a voltage greater than 70 KV and (ii) activities related to high-pressure gas networks and the energy flows over those networks. Distribution network operation relates to the transmission of electricity over low and medium voltage electricity grids, as well as the transport of natural gas over the medium and low-pressure networks to residential consumers and SMEs (Small & Medium Enterprises). Certain DSOs in Belgium, including the Issuer, are active in both the distribution of electricity and the distribution of natural gas. At the moment there are 26 DSOs in Belgium engaged in the distribution of electricity and 17 in the distribution of natural gas. As further described in paragraph *Regulated tariffs*, page 43 below, the fees which the DSOs charge for their distribution services are regulated and the mechanism to establish these "tariffs" are substantially similar for the distribution of electricity and natural gas.

The last segment corresponds to the supply and retail activities. Electrabel Customer Solutions (GDF SUEZ), EDF Luminus (SPE-EDF), Lampiris, Wingas and ENI are some of the major players in this segment.

The energy value chain in Belgium



Consequently, the Issuer's mission is to operate the distribution grids through which electricity and natural gas reach the final consumers in the 19 municipalities that make up the Brussels Capital Region. The Issuer is the owner of these electricity and gas distribution grids.

The Issuer is in particular responsible for:

- (a) the development, operation and maintenance of the distribution grids: electricity lines and cables, gas pipelines, infrastructure and cut-out/service cabins;

- (b) connecting customers to these grids, modifying existing connections and the installation, maintenance and reinforcement of meters;
- (c) the opening and the closing of meters;
- (d) managing the grids from its dispatching in Brussels, as well as interventions and breakdowns on the grids 24 hours a day, 7 days a week;
- (e) through its subsidiary, Metrix, conducting meter-readings and managing meter data from 1,180,000 electricity and gas supply points, as well as managing the access register where all that information is stored; and
- (f) the performance of public service obligations; these include the supply of energy to protected customers at a 'social price', the installation and removal of power limiters, the construction, maintenance and supply of energy for municipal public lighting, the prevention of hazards relating to internal gas installations, and the supply of energy for fairs and festivities.

As an intermunicipal organisation that adopted the form of a cooperative society with limited liability, the Issuer is subject to a mixed legal regime. It is subject to the Belgian Companies Code insofar as the legislation on intermunicipal organisations or its articles of association do not state otherwise.

In addition, as a DSO it is subject to the Gas and Electricity Orders (*Ordonnances Gaz et Electricité / Ordonanties Gas en Electriciteit*) and their executive orders, notably the technical regulations relating to the access and operation of electricity and gas distribution networks in the Brussels Capital Region.

The Issuer's networks

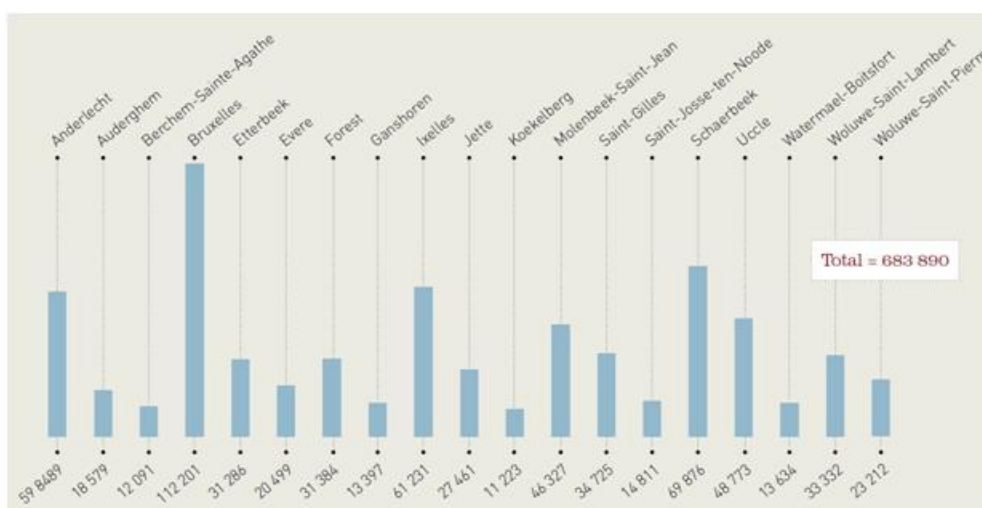
The tables below summarise the key figures for all the gas and electricity distribution networks managed by the Issuer. These cover the whole of the Brussels Capital Region. The Issuer is the owner of its networks and accordingly, the network assets and depreciations thereof are included in the Issuer's balance sheet. From an economic point of view, and as far as the Issuer's tariffs are concerned, the Issuer does not consider that its tariffs would be different if the Issuer would have had a mere right of use in respect of its network, as opposed to an ownership right.

(a) Electricity

(i) Supply Points

	2011	2010	2009
Number of supply points	683,890	678,446	674,500
Inactive supply points	63,512	63,095	65,260
Active supply points	620,378	615,351	609,240
Active HT points	2,876	2,876	2,935
Active LT points	617,502	612,475	606,305

(ii) Number of supply points per municipality (2011)



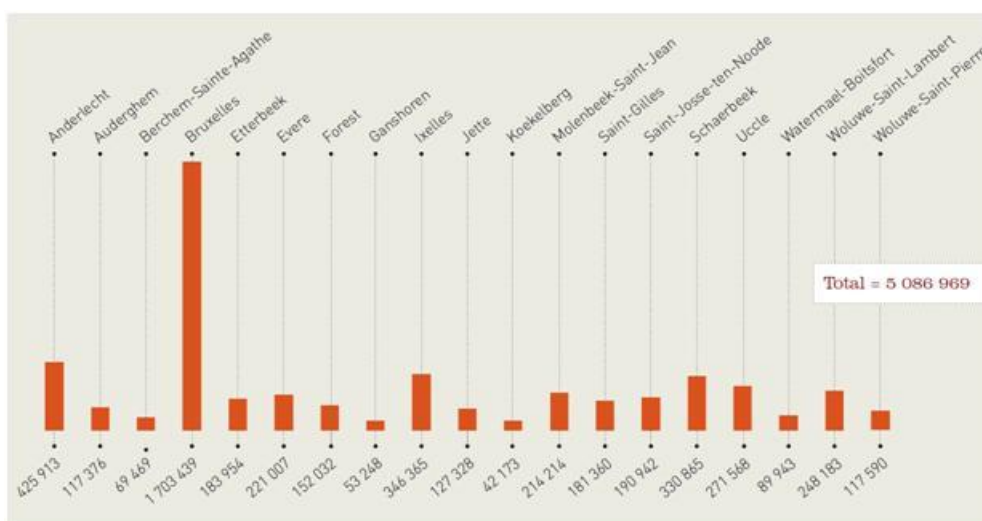
(iii) Transport

	2011	2010	2009
Electricity transported* (MWh)	5,086,969	5,273,168	5,342,042
High Tension	2,645,554	2,761,839	2,758,796
Low Tension	2,441,415	2,511,328	2,583,246
Electricity injected* (MWh)	5,265,096	5,461,641	5,434,110
Loss rate (%)	3.03%	3.03%	3.03%

* Quantity of electricity transported over the distribution networks and charged to suppliers.

** Quantity of electricity measured at grid entry and energy produced and injected over the grid.

(iv) Electricity transported per municipality (MWh) - 2011



(v) Infrastructure of networks

	2011	2010	2009
Number of meters	685,563	680,589	676,215
High Tension	7,871	8,422	8,569
Low Tension	677,692	672,167	667,646
No. of LT connections (with and without meter)	212,265	211,630	211,001
No. of HT "network" cabins	3,117	3,139	3,152
No. of HT "customer" cabins	2,866	2,859	2,861
No. of distribution stations and dispersion	92	93	92

stations (High Tension)			
No. of supply stations (interface with Elia)	50	50	51

(vi) Network lengths

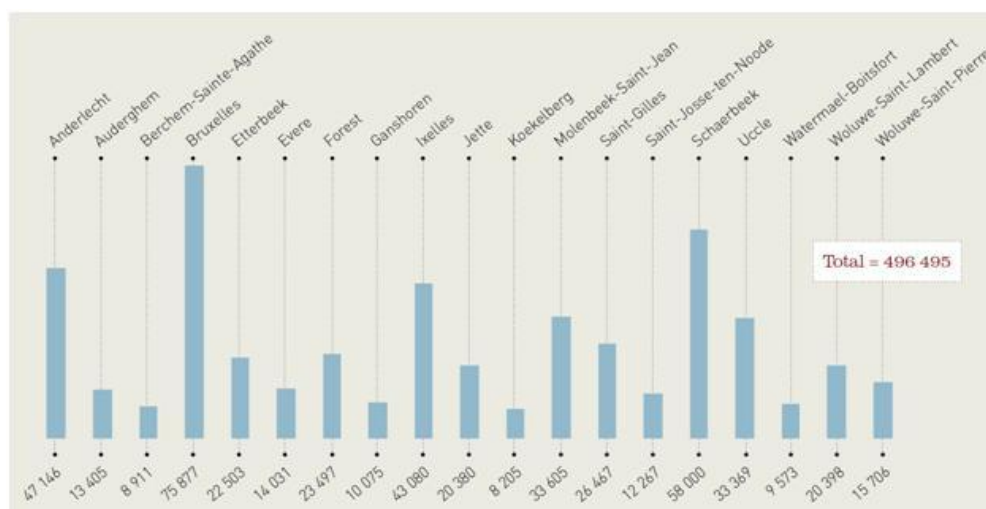
	2011	2010	2009
Network lengths (Km)	6,328.4	6,313.4	6,306.4
High Tension (100% below ground)	2,277.5	2,283.1	2,302.6
Low Tension	4,050.9	4,030.3	4,003.8
Below ground	4,030.5	4,009.9	3,989.4
Above ground	20.4	20.4	14.4

(b) Gas

(i) Supply Points

	2011	2010	2009
Number of supply points	496,495	493,359	491,360
Inactive supply points	77,380	76,443	77,341
Active supply points	419,115	416,916	414,019
Active Medium Pressure points	1,817	1,651	1,626
Active Low Pressure points	417,298	415,265	412,393

(ii) Number of supply points per municipality (2011)



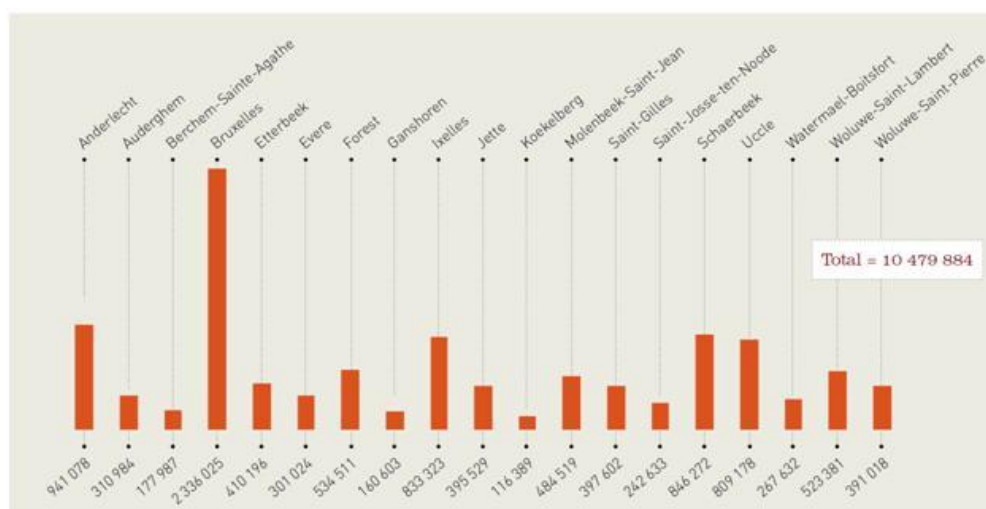
(iii) Transport

	2011	2010	2009
Gas transported* (MWh)	10,479,884	10,971,249	10,758,572
Medium Pressure	2,090,940	2,480,814	2,162,875
Low Pressure	8,388,944	8,490,435	8,595,697
Gas injected** (MWh)	8,877,755	11,690,123	10,858,622

*Quantity of gas transported over the distribution networks and charged to suppliers.

** Quantity of gas measured at entry to the network.

(iv) Gas transported per municipality (MWh) - 2011



(v) Infrastructure of networks

	2011	2010	2009
Number of meters	493,618	491,458	488,969
Number of connections	187,652	187,002	186,629
Medium Pressure	2,802	2,782	2,765
MP "network" connections	442	437	436
MP "customer" connections	2,360	2,345	2,329
Low Pressure	184,850	184,220	183,864
No. of "network" cabins	442	437	436
No. of "customer" pressure-reduction lines	1,753	1,749	1,740

(vi) Network lengths

	2011	2010	2009
Pipeline lengths (Km)	2,893.6	2,879.0	2,852.4
Medium Pressure pipelines	609.3	605.4	602.5
Steel	552.0	550.6	547.7
PE (polyethylene)	57.3	54.8	54.8
Low Pressure pipelines	2,284.3	2,273.6	2,249.9
Steel	1,065.4	1,067.8	1,071.9
PE (polyethylene)	1,102.5	1,053.4	978.9
Grey cast iron	58.6	79.0	108.7
Ductile cast iron	29.1	29.3	29.6
Asbestos cement (Eternit)	28.7	44.1	60.8

Legal status of the DSOs

Introduction

Before the liberalisation of the energy markets in 2003 (which entered into force on 1 January 2007 for residential customers in the Brussels Capital Region), the intermunicipal gas and electricity organisations received most of their revenue from the sale of electricity and gas to end-users. Since then, those commercial and distribution activities have been unbundled operationally, which means that the activities of production and supply must be separated on a functional level from the activities of transport and distribution. The Second European Energy directives required that commercial activities must be legally dissociated from the distribution activities, which means that those activities cannot be exercised by one and the same legal entity. In Belgium in general, and in the Brussels Capital Region in particular, this legal "unbundling" had been accomplished. While the supply and sale of electricity and gas have been entrusted to commercial suppliers, the operation of distribution networks was entrusted to the intermunicipal organisations, which have become DSOs from that moment.

A DSO operates, maintains and develops the grid, which it must either own outright or operate through a right of use. Furthermore, the law makes it compulsory to organise access to its grid on an objective basis, transparently and without discrimination. The operation of distribution grids is a regulated activity that is usually granted a legal monopoly for a given period of time (in the Brussels region, for a period of 20 years, which can be renewed) within the limits of the territory attributed to each DSO.

Most of the revenue of the DSOs derives from regulated tariffs charged for the use of the distribution grid (tariff income) which are approved beforehand by the regulator, as detailed in the paragraph *Regulated Tariffs*, page 43.

The main customers of the DSOs are wholesale and retail suppliers.

At the moment, there are 30 DSOs in Belgium active in the distribution of electricity and/or natural gas¹⁴. Most of these DSOs are intermunicipal organisations.

An intermunicipal organisation is a partnership under public law which is responsible for certain activities with a common municipal interest for its public members. The shareholding of the DSOs can be either wholly-owned by the municipalities (directly or indirectly through an intermunicipal organisation), in which case the intermunicipal organisation is called a "pure intermunicipal organisation", or it can be a "public-private" partnership, in which case it is called a "mixed DSO".

Of the 30 DSOs, 15 are of the mixed type with Electrabel SA (subsidiary of GDF-SUEZ) as the private partner. There are 8 DSOs in the Walloon Region (operated by Ores) and 7 mixed DSOs in the Flemish Region (operated by Eandis).

The Issuer operates the gas and electricity distribution grids in the Brussels Capital Region. It was a mixed DSO until 31 December 2012. It became a pure intermunicipal organisation on 1 January 2013. Pursuant to the Law of 1986 on intermunicipal organisations, irrespective of the participation of the private partner, the municipalities must always hold the majority of votes as well as the chairmanship of the various management and control bodies of the intermunicipal organisation.

The Issuer has no employees, and has delegated the performance of its operational tasks to its wholly owned subsidiaries, Brussels Network Operations SCRL/CVBA ("**BNO**") and Metrix SCRL/CVBA ("**Metrix**") (as described in more detail in paragraph *Relations between the Issuer and its daily operation subsidiaries*, page 63 below). This is similar to the situation as it exists in Flanders and Wallonia, where Eandis and Ores carry out substantially the same operational tasks in their capacity as "operating company" (*werkmaatschappij / société de l'exploitation*) for the mixed DSO's. The key difference between the situation in Flanders and Wallonia on the one hand and the Issuer in Brussels on the other hand is that, Eandis and Ores carry out the operational tasks in Flanders and Wallonia for several distribution system operators, while, in Brussels, BNO and Metrix work exclusively for the Issuer.

Furthermore, the Brussels electricity and gas orders greatly determine the composition of the shareholding of the Issuer (or any other DSO): first, the municipalities may not reduce the share they hold (in)directly in the equity capital of the Issuer without consent of the government, and the private shareholders of the Issuer may not sell their shares to persons who are not shareholders without government's consent.

Furthermore, the suppliers of gas and electricity (or persons exercising control over or being controlled directly or indirectly by a supplier):

- (a) may not be represented, jointly or individually, in the DSOs management bodies by directors jointly occupying more than one-third of the total number of seats to be allocated;
- (b) they may not exercise, jointly or individually, a veto right or be able to block a decision in any control or management body.

This last requirement is no longer relevant for the Issuer since Electrabel SA is no longer a shareholder of the Issuer.

¹⁴ Source: www.Intermixt.be

It should be noted that in order to ensure the independence and separation between the operation of the grid on the one hand and activities of production and supply on the other hand, a DSO may not engage in the activities of producing or supplying electricity except to cover its own needs, to compensate for losses and to fulfil its public service obligations.

The designation as a DSO

The Brussels Government designates the DSOs in the Brussels Capital Region. A single DSO is designated to operate the electricity distribution grids and a single DSO is designated for the gas distribution grids located in the territory of the Region.

In order to obtain such a designation, the DSO must fulfil certain requirements:

- (a) it must be an intermunicipal organisation;
- (b) it must have rights of ownership of, or a right of use on, the distribution grid situated in the territory of the Brussels Capital Region.

The designation as DSO can be renewed for a term of twenty years.

The designation ends if the DSO is dissolved. Moreover, the designation as DSO may only be revoked in the case of serious failure to fulfil its obligations, based on a decision of the government on the advice of BRUGEL. The revocation procedure can be summarised as follows:

- (a) a notice of default to fulfil its obligations is sent to the DSO;
- (b) a special commissioner is appointed for a determined period to the management bodies of the DSO with the responsibility to ensure compliance with its obligations and to report to the Government thereon; for that purpose, the special commissioner may attend and intervene in the meetings of those bodies and consult any document on site; and
- (c) if the DSO fails to comply with its obligations after the appointment of a special commissioner, and following his report, the government may withdraw the DSO's designation after having heard the latter's representatives. In this case, the government will appoint a special commissioner responsible for administering, the activities for which the DSO is responsible, on behalf of the government, until the designation of a new DSO.

If the intermunicipal organisation designated as a DSO is dissolved, or the designation is withdrawn or has reached its expiry date, the government will designate a DSO after the majority of the municipalities in the Brussels Capital Region have given their consent thereto.

Designation of the Issuer as a DSO and consequences

The Issuer was designated as operator of the electricity and gas distribution grids pursuant to two decrees of 13 July 2006. The Issuer was designated operator of the gas distribution grid for the period from 1 September 2006 until 31 August 2026. As for the operation of the electricity distribution grid, the term of 20 years is considered to have started as from the effective date of the Order of 19 July 2001 and will come to an end on 26 November 2021.

At the end of that period, the designation may or may not be renewed. Nevertheless, it should be noted that any new person appointed to replace the existing DSO must fulfil the requirements mentioned above (including the right of ownership or right of use of the distribution grid concerned, while the existing DSO is currently owner of those rights).

Furthermore, a mandate granted to a DSO may come to an end prematurely upon the expiry of its term or in the case of early dissolution (see paragraph *Risks related to the limited lifetime of the Issuer*, page 12).

As a DSO, the Issuer is principally subject to:

- (a) for electricity distribution, the Electricity Order and, in particular with regard to tariffs, the Law of 29 April 1999 on the organisation of the electricity market;

- (b) for gas distribution, the Gas Order and, in particular with regard to tariffs, the Law of 12 April 1965 on the transportation of gas and other products by pipeline.

The Issuer's capacity as a DSO also leads to the application of particular responsibilities, such as:

- (i) the obligation to carry out its DSO tasks on a independent, transparent and non-discriminatory basis;
- (ii) the obligation to operate, maintain and develop the grid for the purpose of ensuring the safety and continuity of supplies;
- (iii) compliance with the rules intended to guarantee the independence and impartiality of the management of the grid with regard to energy producers, suppliers and intermediaries;
- (iv) compliance with the rules regarding access to confidential information;
- (v) the public service obligations imposed on DSOs in various domains, such as safety, the regularity and quality of energy supplies, with regard to services to users, with regard to social matters, public lighting, etc.;
- (vi) the compensation obligations in various scenario's envisaged by the legislation: in case of prolonged interruption of supplies, administrative error, connection delays or damage caused by the interruption, non-conformity or irregularity of supplies;
- (vii) the payment to the municipalities of a road usage fee for occupation of the public domain by the network; and
- (viii) control by the regulators, both federal (CREG (Commission for the Regulation of Electricity and Gas) for tariffs) and on a regional level (BRUGEL for the other aspects).

The Gas and Electricity Orders also confer important prerogatives on the DSOs in terms of occupation of the public domain and, to a lesser extent, of private properties.

With regard to the public domain:

- (a) The DSO has the right to carry out on, below or above the public domain any work necessary for the establishment, functioning and maintenance of the network infrastructures, in compliance with the laws and regulations in force. In exchange, the DSO is obliged to pay a road usage fee to the municipalities for occupation of the public domain.
- (b) In addition, the Brussels Capital Region, the public establishments dependent on it and the municipalities are entitled to request the modification of the establishment or course of the infrastructures of the grid located on their public domain. The costs of such modifications are the responsibility of the owner of the public domain or the DSO, depending on the case and the objective being pursued¹⁵.

With regard to private properties:

- (a) The DSO has various prerogatives at its disposal, such as permanently establishing support and anchors for overhead electricity lines outside walls and façades looking on to the public roads or to have overhead electricity lines pass over private properties without attachments or contacts.
- (b) In accordance with a public utility declaration by the Brussels Government and a payment of an indemnity, the DSO moreover has the right to establish grid infrastructures below, on or above unbuilt private land, to keep them under surveillance and to undertake the work needed for the

¹⁵ Under the Issuer's articles of association, the costs of moving installations resulting from works undertaken by a partner are the responsibility of the latter, unless stipulated otherwise by a regulation by the Board of Directors. However, a technical solution will be sought between the municipality and the Intermunicipal Organisation so as to avoid moving installations as far as possible and in any case to reduce such removals to a minimum.

functioning and maintenance. The occupation of a private place of business constitutes a legal right of easement for a public utility.

Tariff regulation

European Union

1. The Third Energy Package

The activities of the DSOs constitute a natural monopoly and are therefore subject to regulation.

The current legal framework in Belgium results from European directives which are implemented into Belgian law. The legislative packages on energy were approved by the Member-States of the EU. The first dates back to 1996 (for electricity) and 1998 (for gas), the second was adopted in 2003 and the third one in 2009.

The Third Energy Package should have been implemented into national law by 3 March 2011 at the latest. In Belgium, the Third Energy Package was transposed into Federal law on 8 January 2012. In the Brussels Region, most of the provisions of the Third Energy Package had already been included in Brussels legislation during a previous reform. The implementation was completed by the adoption of two orders, one electricity and the other gas, on 20 July 2011.

The main purpose of the European directives is to open up the gas and electricity markets in the European Union. For DSOs, these directives impose legal unbundling (as opposed to operational unbundling). Accordingly, one legal entity cannot be involved in both the activities of production and supply on the one hand and distribution on the other hand, and, in case both entities are part of a vertically-integrated company, the organisation and decision-making for those respective activities should meet certain independence criteria. In the Brussels Capital Region, legal unbundling was included in regional legislation. However, it should be pointed out that, unlike the gas and electricity transportation networks, the Third Energy Package does not impose the integral separation of ownership structures (*ownership unbundling*) on DSOs.

2. The independent regulator

One of the most fundamental consequences of the Third Energy Package for the activities of the DSOs in Belgium is the increased role and independence of the regulator. The Third Energy Package now clearly stipulates that only the regulator has the power to fix or approve the networks' tariffs or their methodologies. This is a major change, as under the second Electricity and Gas directives, it was still possible for the legislation to provide that the regulator should submit the tariffs or the methodology for formal approval to another public body who could either approve or reject such tariff or methodology. This is now contrary to the provisions of the Third Energy Package, which unequivocally require that the regulator must be in a position to take decisions independently and that his decisions are directly binding.

Roles and responsibilities of the regulatory authorities in Belgium

Due to the federal structure in Belgium, there are currently four regulators for the gas and electricity market.

The federal energy regulator - CREG – is competent amongst other for the supervision of electricity grids at a voltage higher than 70 KV, the provision of advice with regard to the granting of licences by the Minister of Energy for large generating stations with a capacity of more than 25 MW, as well as with regard to the regulation of off-shore generating stations. Furthermore, it has advisory, regulatory and supervisory powers in the areas of the storage of natural gas, Liquefied Natural Gas (LNG) plants and the transport and transit of natural gas over the high-pressure gas networks.

The three regional regulators (CWaPE in the Walloon Region, VREG in the Flemish Region and BRUGEL in the Brussels Capital Region) have advisory, regulatory and supervisory powers in the areas of the distribution and local transmission of electricity over grids at a voltage of 70 KV or less. They furthermore have advisory, regulatory and supervisory powers in the areas of the distribution of gas to customers on a regional and local level over medium and low-pressure grids. BRUGEL thus intervenes in drawing up the technical regulations governing the distribution grids which define in particular the

conditions under which customers can be connected up to those grids and have access to them. It also gives advice on the investment programmes and the public service obligation programmes which the Issuer must submit each year for the approval of the Brussels government. Finally, BRUGEL is in charge to implement and supervise measures designed to promote the production of energy from renewable sources.

However, so long as such competence is not transferred to the Regions (see above), the tariff setting (regulation and monitoring) by the TSOs (Transport System Operators) and DSOs remains a federal competence and falls within the scope of the CREG's authority, irrespective of the voltage on the electricity grid or the transportation pressure of the gas.

Consequently, the Issuer falls under the authority of both the CREG and BRUGEL. The fact that the regulatory competences are divided between the federal and regional regulators can give rise to inconsistencies between the measures taken by those regulatory authorities in certain domains. As a matter of example, a decision by BRUGEL might have an impact on the costs of the DSOs which must be approved by the CREG in order to be included in the tariffs. The risk that those costs are not included in the tariffs is currently mitigated by provisions contained in the Tariff Decrees and the Law, stipulating that the DSOs must be able to recuperate all the costs arising from measures taken by a government entity. This risk could potentially be mitigated in the context of a potential transfer of the tariff competences for the DSOs from the CREG to the regional regulators. This expected transfer has yet to be adopted formally and is expected to become effective in 2015.

Regulated tariffs

1. Introduction

The present section describes the regulatory framework that applies to the tariffs for the 2009-2012 regulatory period of the DSOs in charge of operating the gas and electricity distribution grids.

For their distribution services, the DSOs charge a fee to the energy suppliers. The suppliers add this fee to the energy bills of the end-users. The invoice that is sent to the customers thus includes not only the energy that was consumed (and a profit margin) but also the fees that were invoiced by the distribution system operators for the transportation and distribution of the energy. However, the costs of connection to the distribution grid are charged directly to the end-user.

The tariffs are based on a "cost-oriented" system, and are fixed for each individual DSO. In practice this means that there may be differences between the tariffs charged by each DSO, depending on the level of their operational costs.

The tariffs of the DSOs are regulated, which entails that the distribution grid fees have to be submitted for prior approval (i.e. before being actually charged) to the federal energy regulator, the CREG. Tariffs are public, apply for the whole of the territory of each DSO and are not subject to negotiation with customers. The currently applicable tariffs can be found on the CREG website and on the Issuer's website.

2. Regulatory framework applicable to the regulatory period 2009-2012

(a) Overview

The principles, structure and methodology for tariff setting are set out in the Law of 12 April 1965 on the transportation of gas and other products by pipeline and the Law of 29 April 1999 on the organisation of the electricity market, and the Tariff Decrees.

These Tariff Decrees, repealed by the Law, clarified the powers of the regulator and the procedures relating to the methodology for determining and controlling the multi-annual tariffs of the DSOs by the CREG, while stating the rules and parameters to guarantee the DSOs an adapted and sufficient income, including a fair margin for the remuneration of the investments in the grids.

The regulatory framework in Belgium consists of multi-annual tariff periods of four years in order to improve the predictability of tariffs. The last regulatory period started in 2009¹⁶ and was set to end on 31 December 2012. However, because of the late transposition into Belgian law of the Third Energy Package, it was not possible to establish a tariff methodology and approve new tariffs for the new regulatory period, which should have started on 1 January 2013. In order to cope with the vacuum that was going to result from this, the CREG decided in April 2012 to prolong the 2012 tariffs for the years 2013 and 2014, as explained in more detail in the paragraphs *Evolution of the regulatory framework* and *Prolongation of tariffs for 2013 and 2014*, pages 51 and 52.

This tariff regime aims at sufficiently remunerating the DSOs so as to enable them to carry out the duties imposed on them and to realise a fair remuneration as a return on the capital invested.

(b) Elements of the total revenue of a DSO.

Within the current regime, the total revenues of a DSO consist of the following four elements:

- (A) reimbursement of all operational costs deemed reasonable for the performance of the tasks of the DSO during the regulatory period;
- (B) a fair profit margin for the equity invested in the DSO and depreciation charges;
- (C) cost for the operation of public service obligations; and
- (D) surcharges to be included in the tariffs.

(i) Operational costs

A DSO can include in the distribution grid fee all reasonable costs it incurs in carrying out its statutory tasks. These costs are split into 'manageable costs' and 'non-manageable costs'. All costs over which the DSO has direct control are considered to be manageable costs; the costs over which the DSO does not have such direct control are considered to be non-manageable. The following costs are, amongst others, being considered non-manageable costs: some specific operational costs, the costs for public service obligations, depreciations, the cost incurred for electricity transmission (i.e. the costs charged by Elia for bringing the electric energy over its transmission grid to the connection points with the distribution grids), the embedded costs, fair capital remuneration, and transfers from previous financial years.

The regulatory framework includes a stimulus (incentive or penalty) for DSOs to increase productivity and efficiency. For the regulatory period 2009-2012 a compulsory productivity improvement coefficient was fixed regulatory period 2009-2012 at 2.5 % per annum (without prejudice to the application of an inflation coefficient) as the budget of the manageable cost as approved by the CREG at the start of the regulatory period¹⁷.

It should be noted furthermore that when an infrastructure element (registered on the balance sheet as a tangible asset) of a DSO is sold off or put out of operation, the tariff methodology allows for the depreciation at a rate of 2% per year of the generated surplus value and the pass through of this depreciation into the distribution grid fee provided that the depreciation is properly registered as an investment reserve and can accordingly be used as a source of self-financing by the DSO.

Finally, the Tariff Decrees expressly stipulate that the CREG cannot reject costs which directly and fully arise from measures taken by a government body or that result from a

¹⁶The CREG only approved the multi-annual prices applicable to the Issuer on 30 September 2009. Consequently, the multi-annual prices for the period 2009-2012 only came into force on 1 October 2009. That delay was due to the tardy publication of the Pricing Decrees, which prevented the Guarantors from submitting their pricing proposals to the CREG until 30 September 2008.

¹⁷ For future regulatory periods, the coefficient can be determined by benchmarking the efficiency of a DSO in comparison with other DSOs.

procurement procedure imposed by a competent authority or which result from a procedure for placing a public procurement contract imposed by one of the authorities. Furthermore, the Law now states that such costs are taken into account in the tariffs transparently and without discrimination, in accordance with the applicable laws and regulations.

(ii) Depreciation

The value of all the infrastructure elements that make up a distribution grid is depreciated according to the rules defined by the CREG. This depreciation cost is included entirely in the tariffs for using the distribution grid.

(iii) Fair profit margin

General

A DSO is entitled to receive a "fair profit margin" for the resources that its shareholders have invested in the distribution network in the form of equity capital or other equity elements. In order to calculate this "fair profit margin", a value for the regulated assets of the DSO is determined, the '**RAB**' (*Regulated Asset Base*).

Calculation of the iRAB

The RAB is calculated in respect of each year by reference to an initial value for the regulated assets (the "**iRAB**") that was determined in 2003. In accordance with the Tariff Decrees this iRAB equals the sum of (i) the net value of economic reconstruction of the grid (the "**Net Economic Reconstruction Value**"), (ii) plus/minus the need for net working capital (i.e. the Issuer's need for operating working capital which excludes short term financing (the "**Need for Net Working Capital**")¹⁸.

The Net Economic Reconstruction Value equals the market value of the DSOs' assets¹⁹ taking into account the sum of the investments needed to construct a new grid of equivalent technological sophistication in 31 December 2001 and 31 December 2002 respectively for the electricity and natural gas networks, corrected so as to take into account the age of the grid that time. Only those assets used for the regulated activity are considered.

From iRAB to RAB

For the purpose of calculating the fair profit margin, the RAB in a given year needs to be calculated. This is done based on the iRAB, by accounting for changes in the value of the grid and the Need for Net Working Capital of the Issuer compared to the situation on the basis of which the iRAB was calculated.

More specifically, to determine the RAB in a certain year, the calculation starts with the iRAB by (i) adding all investments made since the date of iRAB until that certain year (expansion as well as replacement investments), (ii) deducting, for each year since the iRAB and including the relevant year, contributions of third parties and subsidies, the Net Book Value of decommissioned assets, depreciations of regulated fixed assets and a portion of the RAB Excess Values (as defined below) and (iii) adding or deducting, as appropriate, the alterations in Need for Net Working Capital since the date of the iRAB until and including that certain year (these additions and/or deducting, the "**RAB Fluctuations**").

For a given year "n" the RAB is thus calculated as follows:

$$RAB_n = iRAB + \text{investments (1 to n)} + \Delta \text{ Need for Net Working Capital (1 to n)}$$

¹⁸ On page 188 a comprehensive definition of the Need for Net Working Capital in accordance with the Tariff Decrees is provided.

¹⁹ The assets were identified using the DSOs' technical inventory of their fixed assets.

- contributions from third parties and subsidies (1 to n)
- decommissionings (1 to n)
- depreciations (1 to n)
- portion of the RAB Excess Value (1 to n).

The RAB in the year 2011 for instance thus took into account all the RAB Fluctuations since 2003 (the year in which the iRAB was determined).

In addition, it should be noted that the book value of the Issuer's tangible fixed assets, which is based on historical values, is depreciated over time until the assets are fully depreciated (the "**Net Book Value**"). The difference between the Net Economic Reconstruction Value and the Net Book Value is the "**RAB Excess Value**"²⁰. In other words, the RAB Excess Value captures the difference between the market's valuation of the DSO's assets and the depreciated book value. The RAB Excess Value is included in the RAB. Note that the RAB Excess Value is depreciated over time at 2% per annum but only if the RAB Excess Value no longer captures the market valuation of the DSO's assets as determined in the accounts.

As already indicated the rules for calculating, monitoring and certifying the RAB (and iRAB) have also been defined and are set out in the Tariff Decrees.

Calculation of the fair profit margin based on the RAB

In order to calculate the actual fair profit margin (equity capital and other equity elements invested by the DSO's shareholders), the CREG uses a theoretical financing structure assuming that the RAB is financed through 33% equity and 67% borrowed funds. The remuneration of equity for the portion exceeding one-third of the RAB is limited to the interest rate on the ten-year Belgian Government Bond (*OLO*), plus 70 base points (0.7%). This means that the CREG provides an incentive for financing at least two-thirds of the RAB by means of borrowed funds. As such, the capital remuneration formula is advantageous for those DSOs whose balance sheet is closer to having two thirds of their assets financed by debt and one third of the assets financed by equity, which proportion is deemed to be the ideal financing structure by the CREG. Since the Issuer's actual ratio of equity to total assets is significantly higher than the ratio perceived as ideal by the CREG, the amount of equity in surplus of 33% is remunerated at a reduced rate of remuneration. For the moment the Issuer's shareholders opt for this type of surplus for as long as the reward in respect of the surplus, is still better, in terms of return and risk exposure than other alternative investments. Reference is additionally made to the paragraph "*The Issuer's financing policy – general*" on page 68.

The margin for the fair remuneration of equity (share capital and other equity elements) invested by the shareholders in the DSOs is currently (i.e., in accordance with the Tariff Decrees) calculated according to the following formula:

- (A) Equity \leq 33% of RAB : Remuneration = (Risk Free Rate + Equity Risk Premium* β) * illiquidity premium;
- (B) Equity > 33% of RAB : Remuneration = 10-yr Belgian Government Bond + 70bps;

Where:

- (1) Equity Risk Premium = 3.50%;
- (2) β = Beta = 0.65 for Electricity and 0,85 for Gas;

²⁰ "Plus-value" or "meerwaarde" in respectivel French and Dutch.

- (3) Risk Free Rate = Average Effective Return on Linear Belgian State Bonds with a duration of 10 years issued in that year;
- (4) Illiquidity premium = 1.2 (if the DSO is not listed).

The remuneration of debt such as bank loans, commercial paper, bonds and other type of external debt financing is based on a method of "embedded costs", whereby the actual financing costs of borrowed funds are included in the regulated tariffs irrespective of their size (i.e. debt costs are a pass-through, whether the debt/equity ratio is higher or lower than 67%/33% ratio targeted by the regulator) provided that the financial charges are at market rates.

(iv) Applicable Surcharges

These surcharges are diverse and include amongst others the cost of the CREG's operations, the payments of the pension costs of the DSOs' operating company's retired personnel, the financial obligations towards the pension funds for the non-active staff, taxes, levies etc.

(c) Pricing procedures; *ex-ante* and *ex-post* control

The CREG carries out a double control on the distribution grid fees. A first control is carried out in advance ("*ex ante*") when the DSO's tariff proposals are submitted for approval at the beginning of the regulatory period. At this moment the CREG can reject elements of the budgeted costs. A second control is carried out afterwards ("*ex post*") when the CREG has received the actually incurred costs and is thus able to analyse the deviations between these actually incurred costs and the budgets on which the original tariff proposals were based.

(i) Ex-ante control

Prior to each regulatory period, a DSO has to submit its tariff proposition to the CREG for both the electricity and the natural gas distribution grids following the requirements laid down in the relevant Royal Decrees. A proposal is made for the first year of the regulatory period together with the rules of the evolution for the subsequent years of the regulatory period. The distribution grid fees may differ from one DSO to another depending on several factors such as the age of the grid, the population density, etc. At the moment of the "ex-ante" control, the CREG can reject elements of budgeted costs.

(ii) Ex-post control

A second control is carried out afterwards ("ex post") when the CREG has received the actually incurred costs and is thus able to analyse the deviations between these actually incurred costs and the budgets on which the original tariff proposals were based. A different treatment applies to "non-manageable" and "manageable" costs. The other revenue elements will be scrutinised by the CREG as well.

(iii) Non-manageable costs

The deviations of non-manageable costs are registered on an accrual account prior to a final settlement at the end of a regulatory period either as a receivable (in case the non-manageable costs actually incurred are higher than the budgeted costs) or as liability (in case the non-manageable costs actually incurred are lower than the budgeted costs). At the end of the regulatory period, a decision will be taken regarding the allocation of the accumulated balances of non-manageable costs (see the paragraph entitled *Allocation of balances* below).

The Issuer's budgeted non-manageable costs tend to exceed its actual non-manageable costs and the Issuer thus regularly books a regulatory liability. As described in more detail below in the paragraph *Allocation of balances*, the regulator still has to decide on the actual amount of those regulatory liabilities for the years 2010, 2011 and 2012. Nevertheless, the Issuer already made the appropriate provisions in its accounts for these liabilities.

It should be emphasised that in 2011 the non-manageable costs represented 66% of the total costs taken into account for the calculation of the gas and electricity distribution tariffs in the Brussels Capital Region. This means that, in 2011, most of the costs of the Issuer were non-manageable, and can be passed on to the end-users. However, the ratio between non-manageable costs and total costs is not fixed at all and can fluctuate over time. There is no legal obligation, and the Issuer has no objective, in respect of the level of this ratio, which is the mere result of the way the Issuer conducts its business. Over the last three years, the ratio between non-manageable costs and total costs has remained substantially the same.

(iv) Manageable costs

On a yearly basis, the CREG will also compare the manageable costs actually incurred with the manageable costs as foreseen in the budget upon which the original tariff proposals were based. The deviation of "manageable costs", i.e. the difference – established yearly ex-post – between the actual manageable costs on the one hand and the budgeted manageable costs on the other hand, is in principle either added to (if the difference is negative) or deducted from (if the difference is positive) the fair remuneration. Hence, these deviations fall to the benefit or are at the expense of the DSOs and their shareholders. Then those deviations are added or deducted from the profits of the DSOs and their shareholders, and will have no impact on the prices, either during the regulatory period or thereafter.

This is why a "malus" (or excess) of actual manageable costs constitutes the principal risk for the Issuer and could affect the latter's profitability negatively. To date the Issuer has only had bonuses in respect of manageable costs and has not had to book a malus until now.

(v) Fair profit margin

The actual fair profit margin will be revaluated based on the adjustment made to the RAB, to the financial structure and to the average risk free interest rate of the 10-year OLOs in the relevant year. Differences will also be booked on an accrual account either as a receivable or as a liability.

(vi) Reference quantities

The tariffs approved by the CREG are based on pre-determined reference quantities of capacity that the DSO is forecasted to sell to grid users. If the distributed volumes are higher or lower than those forecasted quantities, the differences will also be booked on an accrual account as a receivable or a liability.

(vii) Allocation of balances

Pursuant to the Tariff Decrees after the third year of the regulatory period, the accumulated balances of the previous 4 years of operation are controlled by the CREG, which will advise the Minister of Energy about the destination of the accumulated balances regarding the non-manageable costs and the differences due to the quantity of the distributed volumes with a view of final decision making by the Council of Ministers. However, as already indicated it should be noted that following the adoption of the Law of 8 January 2012, it will no longer be the Council of Ministers but the regulator who will decide on the balances taking into account the general guidelines inserted in the Law. Positive balances (receivables booked on accrual accounts exceed liabilities booked on accrual accounts) should lead to an increase of the tariffs in the subsequent regulatory period whereas negative balances should lead to a decrease of the tariffs during the next regulatory period. In the past, the treatment of regulatory balances has not led to lower tariffs being applied.

Positive balances in respect of manageable costs mean that the costs incurred by the Issuer are lower than the budgeted costs on which the relevant tariffs were based. They will lead to a corresponding increase of the profit of the Issuer, in accordance with the

Tariff Decrees. The Issuer has, until and including the financial year 2011, booked the amount of such balance on a provision, reflecting the fact that, pursuant to the Tariff Decrees and the general guidelines inserted in the Law, the amount of such balance needs to be approved by the regulator and is consequently uncertain. If the board of directors and the shareholders of the Issuer approve the annual accounts for the financial year 2012 of the Issuer, the regulatory balances for manageable costs will no longer be covered by a provision, but will instead be booked as an available reserve (in which respect please refer to paragraphs "*Exit of Electrabel*" and "*Key developments during the financial year 2012*" on pages 70-72 and below.

For non-manageable costs, if the non-manageable costs actually incurred are lower than the budgeted amount on which the tariffs are based, the difference will be deducted from the operating income of the Issuer and booked on an accrual account. In the opposite scenario, the difference will lead to an increase of the operating income, with a corresponding booking on an accrual account, and the same amount will be added to the provisions for regulatory risk (pending approval of such balance by the regulator (reflecting the fact that, pursuant to the Tariff Decrees and the general guidelines inserted in the Law, the amount of such balance is determined by a decision of the regulator and is consequently uncertain until such decision).

As the Issuer's initial budgeted non-manageable costs tend to exceed its actually incurred non-manageable costs it is to be expected that such a negative balance will not lead to a tariff increase in the next regulatory period. It should be noted that following the adoption of the Law of 8 January 2012, it will no longer be the Council of Ministers but the CREG who will decide on the balances of these tariffs taking into account the general guidelines inserted in the Law. The decisions by the CREG to prolong the previous tariffs for 2013 and 2014 remain silent in respect to what will happen with the tariff balances resulting from the previous regulatory period (2009-2012), and it is not certain whether the CREG will make a decision in the course of 2013 on the level of residual tariff balances as is required under the guidelines inserted in the Law. Although ex-post controls have taken place in respect of all years up to 2011, a decision on the balances is still required in respect of the years 2010, 2011 and 2012 and the global regulatory period 2009-2012. Considering this uncertainty it is possible that BRUGEL, the future regional regulator, will have to decide on the allocation and the recovery of these cumulative balances in the next regulatory period.

3. Pending dispute concerning the tariffs of the 2009-2012 regulatory period

It should be noted however that some pending litigations could affect the tariffs charged for the current regulatory period.

In a ruling dated 8 June 2009, the Court of Appeal of Brussels took the view that the Royal Decrees of 2 September 2008 regarding the tariffs for electricity had been adopted in breach of the law and therefore refused to apply these Decrees. In addition, the Royal Decree of 2 September 2008 regarding the tariffs for electricity was challenged before the Council of State and a petition for annulment filed. In order to protect the Tariff Decrees against such risk of non-application or annulment, these Decrees were confirmed in a Federal Law (the "**Confirmation Law**").

The Confirmation Law regarding the Royal Decree of 2 September 2008 for electricity was challenged before the Constitutional Court. In a ruling dated 31 May 2011, the Court annulled certain provisions of the Confirmation Law concerning this decree. The Court considered in fact that some of the provisions of the Decree are not in line neither with the Second nor with the Third Electricity Directive. Although the ruling of the Constitutional Court only applies to the Royal Decree of 2 September 2008 for electricity, the reasoning of the ruling can also be applied to the Royal Decree for gas.

Following the partial annulment of the Confirmation Law (in respect with the Decree for Electricity) by the Constitutional Court, several consumers filed a civil action against Electrabel SA before the *Vrederechter / Juge de paix* of Deurne to reclaim the distribution fees paid during the years 2009 and 2010 arguing that they would have been charged without a valid legal basis.

Electrabel SA in turn called in the distributions system operators in the pending proceedings to indemnify it in case of condemnation. Although the outcome of such proceedings can never be predicted with any certainty, the DSOs are of the opinion and are arguing in court that the illegality of the Confirmation Law and the possible illegality of certain provisions of the Tariff Decrees should not lead to a repayment of distribution fees.

This latter argument was recently reinforced by a judgement of the Brussels Court of Appeal on 26 June 2012 relating to the validity of the decision by the CREG to increase the existing distribution tariffs of the Flemish mixed DSOs. In this case, the Court reaffirmed that the illegality of certain provisions of the federal legal framework relating to distribution tariffs does not imply that the entire legal framework should be discarded and that tariff decisions can still be based on the existing regulatory framework. The same reasoning was also used by the CREG in its submissions presented on 21 December 2012 in the context of the proceedings before the *Vrederechter / Juge de Paix* in Deurne. In its submissions, the CREG unequivocally advances the argument that the tariffs approved by the CREG for the 2009-2012 regulatory period are substantially correct and reflect the costs incurred by the DSOs and an adequate and fair profit margin approved by the CREG.

The risk that the DSOs might have to reimburse the distribution tariffs can be described as fairly remote. The arguments presented by the DSOs in the dispute in question are solid²¹ and were recently confirmed by the judgement of the Court of Appeal. Furthermore, it could be argued that the prolongation of the tariffs by the CREG for 2013 and 2014 constitutes an implicit validation of the tariffs in the current regulatory period. Finally, in the worst-case scenario where the *Vrederechter / Juge de Paix* in Deurne would decide in favour of the plaintiffs, it is unlikely that the CREG would permit a situation where the DSOs would be unable to recover the distribution costs for services actually rendered. Bearing that in mind the regulator will most likely ratify the distribution tariffs in question.

Finally, it should be noted that in recent judgement of the Court of Appeal of Brussels of 6 February 2013 the tariffs of the electricity transmission system operator Elia have been annulled. In this judgement the Court annulled the decision of the CREG which approved Elia's tariff proposal for the regulatory period 2012-2015. The request for annulment was introduced by the three main Belgian electricity producers (i.e. Electrabel, EDF et E.ON) who argued that certain elements of the new transmission tariffs, i.e. an injection tariff, a tariff for auxiliary services and a volume fee, had no valid legal basis.

As the judgement annuls the decision of the CREG completely, and thus the entire transmission tariff for electricity, Elia is now obliged to submit a new tariff proposal which the CREG has to approve.

Since no transmission tariffs for the electricity grid are approved at the moment, it is in the best interest of Elia and the entire electricity market to obtain a new tariff decision as soon as possible, which should of course take into account the judgement of the Court of Appeal.

Although the regulatory situation following this judgement is uncertain, the Issuer is of the opinion that it can still validly charge the existing distribution tariffs, which include the transmission tariffs in accordance with the cascade principle, to the suppliers of electricity. The main reason for this is that the Issuer is obliged to apply the distribution tariffs as approved by the CREG and is not able to modify these tariffs without regulatory approval. Nevertheless, the Issuer intends to protect itself against a possible non-payment by the suppliers by legally subjecting every payment it makes to Elia to the receipt of the correct payments by the suppliers. In addition, to tackle a possible challenge of its invoices by Elia, the Issuer intends to make all payments to the transmission system operator subject to the preservation of all its procedural

²¹ The arguments presented by the DSOs include notably (i) the absence of jurisdiction of the Justice of the Peace because of the fact that the Brussels Court of Appeal alone has jurisdiction to decide on appeals against the distribution prices, (ii) the lack of jurisdiction to decide on the distribution prices, which comes under the exclusive authority of the CREG, (iii) the validity of the distribution prices charged, since they result from a decision by the CREG approving those prices, and (iv) the right of the DSOs to receive a remuneration for the use of their distribution networks. Finally, as a last resort, the DSOs have reserved the right to enter an appeal against the Belgian State since the alleged absence of a valid legal basis for charging the distribution prices is the result of an error by the Belgian legislators.

rights. In short, the Issuer 's existing validly approved tariff decision combined with the measures implemented towards the suppliers and Elia make it very unlikely that the Issuer will suffer any losses in the context of this judgement.

Evolution of the legal framework

1. Overview

The above described regulatory framework is affected by the transposition of the Third Energy Package into federal law by the Law of 8 January 2012 (the "**Law**"). However its impacts for the next two following years will be limited due to a decision of the CREG to freeze the distribution grid fees for the years 2013 and 2014. Furthermore, the expected transfer of the tariff-setting competencies to the regional regulator will probably be adopted and take effect in 2015, with the consequence that other regional decrees, orders and regulations might differently regulate the distribution grid fees.

2. The Law of 8 January 2012

Following the transposition of the Third Energy Package the powers of the CREG were broadened and its independence reinforced. The Belgian regulator has now the exclusive power to establish (although after "structured, documented and transparent" consultation with the DSOs) the tariff methodologies to be used by the distribution system operators as a basis for their tariff proposals, and subsequently to approve these tariff proposals or in the negative to fix itself provisional tariffs. The CREG had, in October/November 2011, initiated a procedure for consultation on a tariff methodology proposal, but following the adoption of the Law which provides for wide-ranging consultation and guidelines that must be followed when establishing the tariff methodology, the consultation procedure had to be reinitiated.

Nevertheless when establishing the tariff methodology the CREG still remains bound by a list of 21 guidelines incorporated in the Law.

As such the CREG has to abide inter alia the following guidelines:

- (i) the tariff methodology should ensure that all the costs incurred by the DSO which are necessary and efficient for the execution of its statutory or administrative obligations are covered;
- (ii) the tariff methodology should guarantee the balanced development of the distribution networks;
- (iii) the remuneration of the capital invested in the regulated asset base (the "fair profit margin") should allow the DSO to make the necessary investments for the performance of its tasks;
- (iv) in every benchmark exercise the existing distribution system operators should be compared with equivalent distribution system operators; furthermore, in its comparative analysis the CREG should take into account the objective differences between the several distribution system operators and apply high standard criteria and transparent, homogenous and trustworthy data; and
- (v) certain costs, such as the public service obligations, taxes and levies and public pension costs are not subject to the incentive regulation mechanism.

However, it is to be seen whether the guidelines in the Law which need to be followed by the CREG when establishing the tariff methodology, will stand the test of European law. The CREG has filed a request for annulment in June 2012 before the Constitutional Court arguing that the Law violates the rules laid down in the Third Energy Package. Apart from invoking several other alleged inconsistencies with the Third Energy Package, the CREG principally asserts that the list of "guidelines" contained in the Law, which it is obliged to follow, would be construed as being forbidden "instructions" to the regulator by a "public entity". Pursuant to the Third Energy Package, only "general policy guidelines" not connected to the regulatory powers are permitted.

Although the outcome of this annulment request can never be predicted, it should be emphasised that during the debates and parliamentary hearings preceding the adoption of the Law, the representatives of the European Commission confirmed that the provisions of the Law appeared to be in line with the European rules.

3. Prolongation of the tariffs for 2013 and 2014

This challenge of the Law before the Constitutional Court has no immediate effect for the DSO's, since the CREG has decided on the basis of a provision of the law permitting transitional measures, to freeze the distribution grid fees for the years 2013 and 2014, leaving it up thus to the regional regulator(s) to set the tariff framework based on the then applicable (regional) regulation.

This tariff freeze could however negatively impact the profitability of the DSOs in 2013 and 2014 as this would for instance imply (i) that the DSO's will not enjoy the usual benefits of indexation, (ii) that the efficiency improvements of the DSOs in 2013 and 2014 would need to be at least equal to the inflation effect on their cost base, (iii) that investments in regulated assets would, for the part exceeding depreciation of existing assets, not result in higher tariffs before 2015 or (iv) that higher interest charges on loans (e.g. linked with an increased indebtedness) would not result in higher tariffs before 2015.

Although the decisions taken by the CREG to prolong the present tariffs for 2013 and 2014 do not state what will happen to the tariff balances resulting from the previous regulatory period (2009-2012) and the CREG is reluctant to take a decision regarding the balances for the years 2010 and 2011, invoking the current legal uncertainty, the Issuer expects that the CREG will eventually take a decision on the level of the residual tariff balances in 2013, both for 2010 and 2011 and for 2012 and the regulatory period of 2009-2012, as required by the guidelines mentioned in the Law. Nevertheless, as long as the balances for 2010, 2011 and 2012 are not approved by the CREG, it appears that the transfer of competences to the Regions implies that the regional regulators will have to decide on those balances. It is furthermore expected that the CREG (or, in case the tariff competences have been regionalised in the meantime, the regional regulator) will decide on the amount of the balances for the years 2013 and 2014 in accordance with the guidelines of the Law or in accordance with the regional legislation in force at that time. The allocation and recovery of those balances accumulated in the next regulatory period will have to be decided by the future regional regulator, BRUGEL.

4. Transfer of distribution tariff competences to BRUGEL

As stated above, the possible amendment to the federal regulatory framework as a result of the litigation pending before the Constitutional Court should have limited or no impact on the regulatory framework applicable to the DSO activities as the powers relating to the grid distribution tariffs in Belgium will be transferred in any event from the federal level to the respective regions. This transfer to the regions is not compulsory under the Third Energy Package but results from a consensus within the current Belgian Government and is reflected in the Federal Government's General Policy Memorandum regarding the state reform submitted to the Belgian parliament on 22 December 2011. Although the text itself does not mention a particular date, it is generally expected that the regional regulators will have the power to determine the tariff methodology and to approve the final distribution tariffs from 2015 onwards. Such a transfer of competence will require an amendment of the Special Law on Institutional Reform of 8 August 1980.

Upon a transfer of a competence, from the federal to the regional level, federal legislation remains applicable until such time as the relevant regional authorities have repealed or replaced the federal legislation.

Hence, it is to be seen what the new Brussels legislator will enact upon this transfer and what type of tariff methodology the Brussels regulator BRUGEL will establish. A change of tariff setting policy, e.g. with regard to the tariff balances or the incentive regulation mechanisms, could hamper the profit generating capability of the Issuer. However it is to be reiterated that the regional legislator and BRUGEL will be bound by the general principles inserted in the Third Energy Package. In particular the new regulator should bear in mind that it is necessary that the

tariff methodology allows the DSOs to ensure the necessary investments in the networks to be carried out in a manner allowing to ensure the viability of the networks. In addition, the tariff methodology should guarantee the long-term ability of the grid to meet reasonable demands for the distribution of electricity and natural gas. Should the regionalisation not be accomplished, it will remain the role of the CREG to determine the new tariff methodology (see paragraph *Risks related to the uncertain development of the regulatory framework* on page 4).

Regime applicable to the Issuer in its capacity as an intermunicipal organisation

Introduction

As an intermunicipal organisation, the Issuer is subject to the applicable legislation in this respect, and in particular to the law of 22 December 1986 on intermunicipal organisations, which is still in force for the Brussels Capital Region, and the Order of 19 July 2001 on administrative supervision of the intermunicipal organisations in the Brussels Capital Region.

Intermunicipal organisations are associations endowed with legal personality, formed by two or more municipalities and, as the case may be, other authorities and/or institutions under private law, for the purpose of managing objects of communal interest. The distribution of energy constitutes one of the traditional domains entrusted to the management of the intermunicipal organisations.

The intermunicipal organisations are subject to a mixed regime:

- (a) They undertake public service missions and, as such, are corporate bodies under public law without a commercial character.
- (b) At the same time, they must adopt the form of a commercial company (e.g. a limited liability cooperative company). As such, they are subject to the laws governing such companies - i.e., the Belgian Companies Code - to the extent that the legislation on intermunicipal organisations and their articles of association do not deviate there from because of their particular nature.

The main specifics deriving from this mixed regime are described below.

The shareholders

An intermunicipal organisation must have at least two municipalities among its shareholders. The shareholders of an intermunicipal organisation may also include any other corporate body under public law, as well as corporate bodies under private law.

However, whatever the contributions of each of the shareholders, the municipalities must always hold the majority of votes as well as the chairmanship of the various management and control bodies of the intermunicipal organisation. Furthermore, the decisions of the management bodies of the intermunicipal organisation are only taken validly if they obtain the majority of the votes of the municipal shareholders present or represented, apart from the majority of votes cast. Special majority rules, alluded to hereafter, are also provided, notably with regard to amendments to the articles of association, the renewal or early dissolution of the intermunicipal organisation.

Possession of the capital is furthermore subject to special rules in the field of energy distribution in the Brussels Capital Region. In fact, the municipalities may not reduce the share they possess directly or indirectly in the capital of the Issuer without the authorisation of the Brussels government. In addition, the private shareholders of the Issuer may not sell the shares they hold to persons who are not shareholders without authorisation from said government.

Furthermore, the Issuer's articles of association require that the municipalities hold, directly or indirectly via Interfin, the intermunicipal financing organisation, at least seventy percent of the A shares and at least seventy percent of the E shares. The remaining thirty percent can be held by a private shareholder.

The intermunicipal financing organisation Interfin is a pure intermunicipal organisation whose shareholders are the 19 municipalities of the Brussels Capital Region. Subject to the 38 shares they hold directly, the 19 Brussels municipalities therefore possess the Issuer indirectly.

The regime of public law

1. The governing rules

Since the intermunicipal organisations are corporate bodies subject to public law, the Issuer is subject to a regime of administrative law of which the principal features are as follows:

- (i) It is subject to the specific rules laid down by the legislation organising the intermunicipal organisations.
- (ii) As a rule, it is subject to the rules applicable to administrative authorities and to the general principles of administrative law, such as the laws on public service, the principle of good administration, the rules of transparency and publicity of the administration, etc.
- (iii) It is subject to the regulations on public procurement for all contracts relating to public works, supplies or services and, since the Issuer is active in energy distribution, it is subject to the specific rules applicable to so-called "special sectors".
- (iv) Its actions and decisions are subject to the jurisdictional control of the supreme administrative court of Belgium, the Council of State (Conseil d'Etat / Raad van State).
- (v) It is subject to the administrative supervisory control of the Brussels Government. This control may only be exercised in cases specified by the legislation and in accordance with its terms and conditions. In the context of the general annulment supervision, the Brussels government has the right, during a period of 40 days from the date of conveyance of the relevant decision, to annul all or part of the decision if the decision violates the law, the articles of association or harms the general interest²². As for the major decisions of the intermunicipal organisations - such as the adoption and amendment of the articles of association, the annual accounts and the general rules regarding the staff²³ - these are subject to the prior approval of the Brussels government, which also has 40 days (which can be extended by a maximum of 40 days) in which to take its decision. Finally, in exceptional cases, if the intermunicipal organisation remains in default in providing the information and items requested or in carrying out the measures prescribed by the regulations, the government may appoint a special commissioner empowered to take any measures necessary on behalf of the defaulting intermunicipal organisation.

2. The prerogatives

At the same time, the status of intermunicipal organisation confers prerogatives on the Issuer which are intended to ensure that public service missions are properly carried out. By way of example:

- (i) the Issuer may proceed with expropriations in his own name for the sake of a public utility;
- (ii) the Issuer benefits from the principle of immunity as far as is necessary for the continuity of the public service; under Art. 1412bis of the Belgian Judicial Code, the property of intermunicipal organisations may not be seized unless it is property that is manifestly not useful for the fulfilment of the intermunicipal organisation's missions or the continuity of the public service; in this respect, the distribution networks are part of the public domain of the DSOs and consequently may not be seized;

²² Rather than annulling it directly, the Government may also suspend the enactment of a deed which, in its opinion, would violate the law or the articles of association or harm the general interest. The suspension period is forty days from receipt of the deed. The intermunicipal organisation may withdraw the suspended deed or justify it. On pain of nullification of the suspended deed, it sends the Government a deed by which it justifies the suspended deed, within forty days from receipt of the suspension order. The suspension will be lifted after the expiry of a period of forty days from receipt by which the intermunicipal organisation justifies the suspended deed.

²³ Not applicable to the Issuer, which has currently no staff.

- (iii) in order to ensure the continuity of the public service, the intermunicipal organisations may not be declared bankrupt; and
- (iv) with regard to fiscal matters, the intermunicipal organisations are subject to the tax on legal persons and not to corporation tax; they are exempt from the advance levy on property; apart from that, they are subject to registration duties²⁴, stamp duties and similar taxes, and value added tax.

3. Application of the Companies Code

As an intermunicipal organisation that adopted the form of a limited liability cooperative company, the Issuer is subject to the Belgian Companies Code insofar as its articles of association do not state otherwise.

The Issuer's articles of association (Article 2) indicate that the Issuer is not subject to the following provisions of the Belgian Companies Code: Articles 78; 187; 356; 362; 364; 366; 367; 370; 374; 375; 379r; 395; 402 2°; 405; 406; 408; 409 to 410; 413; 416; 417; 419; 422; 423; 424; 430; 432; 781 and 785 of the Belgian Companies Code.

4. The duration of intermunicipal organisations and the possibilities of withdrawal and exclusion

(a) The duration of intermunicipal organisations

Contrary to the general regime of the Belgian Companies Code, an intermunicipal organisation may not be set up for a duration of more than thirty years. That duration may be extended for one or more terms, each of which may not exceed thirty years. The decision to extend must be taken at least one year before the expiry date and be decided on by the general assembly at the request of two-thirds of the members present or represented thereat, and so long as the votes in favour include the majority of the votes cast by the representatives of the municipalities. Furthermore, the municipal councils of the shareholders-municipalities must be invited to deliberate on the extension prior to the decision of the general assembly.

The intermunicipal organisation may be dissolved before the decision of the general assembly in compliance with the provisions of the law and the articles of association, subject to a majority of two-thirds of the votes cast by the shareholders-municipalities and to the prior, unanimous consent of the 19 municipal councils.

The duration of the Issuer is set at thirty years by its articles of association. It was extended to 29 April 2026 by a decision taken on 29 April 1996. It is to be noted that the duration of the Issuer in any event exceeds the maturity of the Bonds.

When the intermunicipal organisation comes to an end or in the event of its early dissolution, the general assembly will appoint liquidators. They will proceed with liquidating the intermunicipal organisation in accordance with the following statutory rules:

- (i) The operating profit will be shared among the partners in accordance with the rules laid down by the articles of association.
- (ii) The municipalities or the association(s) that will exercise the activity previously entrusted to the intermunicipal organisation will take over from the latter all the distribution installations, as well as all or part of the installations or establishments in common use, the equipment, vehicles and stocks at their correct price, according to an estimate made by a board of experts on the basis of parameters considered useful by the regulator for evaluating the installations and their yield.
- (iii) The municipalities or the association(s) that will exercise the activity previously entrusted to the intermunicipal organisation will take over from the latter the staff of the intermunicipal organisation as well as the staff of the operating companies assigned to

²⁴ However, an intermunicipal organisation may be exempted from registration duties if the real estate operation giving rise to the collection of duties is declared to be of public utility by the supervisory authority.

the activity of distribution over the territory of the municipality concerned in accordance with the provisions to be agreed by mutual consent and in compliance with the statutory rules for the sector.

- (iv) The A shares will be reimbursed at their nominal value.
 - (v) The positive or negative balance remaining from liquidating the intermunicipal organisation will be shared among the partners or settled by them, as the case may be, in accordance with the rules laid down by the articles of association.
 - (vi) The shares will be cancelled.
 - (vii) The takeover of the installations and activities of the intermunicipal organisation will only take effect when all the amounts due to the intermunicipal organisation have been paid. Its activities will continue meanwhile under the terms laid down by the articles of association, the investments necessary and any losses being the responsibility of the municipalities that are in arrears with payment.
- (b) The possibilities of withdrawal

Each shareholder may only withdraw from the intermunicipal organisation before its expiry date in the following cases:

- (i) if he has not given his agreement to the extension of the intermunicipal organisation beyond the expiry date previously set, without a vote being required, but so long as the decision to withdraw is announced to the intermunicipal organisation at least twelve months before that expiry date;
- (ii) after fifteen years from the foundation of the intermunicipal organisation, as the case may be, if he participated therein, or from his affiliation thereto, subject to the agreement of two-thirds of the votes cast by the other shareholders, including the majority of votes cast by the representatives of the shareholder-municipalities;
- (iii) if the same object of communal interest is assigned within the same municipality to several intermunicipal organisations or local authority controlled companies, the municipality may decide to assign it to a single intermunicipal organisation or local authority controlled company for all of its territory, and in this context withdraw as the case may be from the intermunicipal organisation, without the need for a vote;

with the agreement of all the shareholders.

Furthermore, the following statutory rules will apply in the event of withdrawal. These rules are prompted by those that apply in the event of the intermunicipal organisation's dissolution.

- (i) The withdrawing municipality must take over all the distribution installations located in its territory at their correct price, according to an estimate made by a board of experts on the basis of parameters considered useful by the regulator for evaluating the installations and their yield; however, the installations will revert free of charge to the municipality if they were totally financed by the latter or with the aid of subsidies from other public administrations (if they have not already been returned to the municipality).
- (ii) The withdrawing municipality will take over the staff of the intermunicipal organisation as well as the staff of the operating companies assigned to the activity of distribution over its territory in accordance with the provisions to be agreed by mutual consent and in compliance with the statutory rules for the sector. The other municipal partners must not suffer any harm because of any staff members not taken over. In the first withdrawal hypothesis described in (b)(i) above, and so long as it notified its decision to withdraw at least thirty-six months before the due date, the municipality does not take over the staff of the intermunicipal organisation or the operating companies unless it has expressly notified the intermunicipal organisation of its decision to avail itself of its takeover right.

- (iii) The withdrawing shareholder must repair any damage caused to the intermunicipal organisation or to the other shareholder, evaluated by experts, in such a way that the effects of the withdrawal are fully compensated up to the end of the intermunicipal organisation's lifetime. That obligation to make reparations does not apply in the first withdrawal hypothesis described in (b)(i) above.
 - (iv) The shareholder who is no longer part of the intermunicipal organisation receives his share in it if it is positive and discharges it if it is negative, in accordance with the calculation rules laid down in the articles of association.
 - (v) The various evaluations are made by a board of experts, of whom one expert is appointed by the intermunicipal organisation's board of directors, one expert appointed by the shareholder who wants to withdraw and, as the case may be, a third expert if the first two cannot reach agreement.
 - (vi) The takeover of the activities of the intermunicipal organisation by a municipality or another intermunicipal organisation will only take effect when all the amounts due to the intermunicipal organisation or its shareholders have actually been paid. The activities will in the meantime continue to be exercised by the intermunicipal organisation on behalf of the municipality under the conditions laid down by the articles of association, particularly with regard to the profits due to the municipality - the investments needed and any losses being the responsibility of the latter.
- (c) Excluding a shareholder

A shareholder may only be excluded from the intermunicipal organisation for serious failure to honour its commitments to the intermunicipal organisation. Such exclusion is decided upon at the reasoned proposal of the board of directors by the general assembly under the conditions prescribed for amendments to the articles of association. The relevant shareholder does not take part in the voting. The shareholder must have been notified at least twelve weeks before the general assembly in order to enable him to prepare his defence in writing within ten weeks of receiving the registered letter containing the reasoned exclusion proposal, or orally during the general assembly.

If a shareholder is excluded, the same statutory rules apply as in the case of a withdrawal (see paragraph *The possibilities of withdrawal*, page 56).

Management

In general

Since its creation in 2003, the Issuer has adopted a structure on four levels based on a general assembly representing the shareholders, a board of directors whose composition reflects the ownership of the Issuer, an executive committee (*comité directeur*) with extensive powers comprising a restricted number of directors, as well as a managing director assisted by a management committee, responsible for day-to-day management.

Municipal elections were held on 14 October 2012, following which the local councils of the 19 municipalities in the Brussels Capital Region were renewed in December 2012. Such a renewal has a direct impact on the composition of the Issuer's board of directors and executive committee. In fact, under the Law of 1986 on intermunicipal organisations and under the Issuer's articles of association, all the tenures of office of the various bodies of the intermunicipal organisation come to an end immediately after the ordinary general assembly following the renewal of the local councils. Furthermore, any directors who no longer enjoy the confidence of the partners who proposed their appointment are considered to be standing down, as well as those who are no longer members of the local council.

The general assembly

The general assembly represents all shareholders and enjoys the usual powers, listed by the legislation and the articles of association, such as the approval of the annual accounts and discharge of the directors, the nomination of directors, decisions on amendments to the articles of association and liquidation, etc. Each share, except for E shares, gives the right to one vote, although the proportion of the votes exercised

by the shareholders other than the municipalities may not exceed 50% of the total voting rights. The voting entitlements are adapted appropriately, as the case may be. Interfin's voting entitlements are shared between the municipalities in proportion to their number of inhabitants.

The board of directors

In addition to the duties reserved to the board of directors by law, the board of directors has the authority to approve prices, regulations, plans for investment in networks and meters and the programme for implementing public service missions. It decides on the admission of new shareholders.

The board of directors comprises:

- (a) a director appointed at the proposal of each shareholder municipality, it being understood that each shareholder municipality with a population of 70,000 to 100,000 inhabitants and each shareholder municipality with a population of more than 100,000 inhabitants will propose a second and a third nomination for election to the board of directors;
- (b) a number of directors appointed at the proposal of other shareholders equal to no more than one-third of the number of directors proposed by the municipalities and less than one-fifth of the total number of seats on the board of director, if the Issuer includes shareholders other than the municipalities and the Interfin intermunicipal financing organisation.

The directors presented by the municipalities must also have been presented by their municipality as directors in the Interfin intermunicipal financing organisation.

The table below sets out the composition of the Issuer's board of directors as of 25 February 2013. This composition is therefore provisional and will be confirmed at the ordinary general assembly in June 2013, which will have to re-appoint all the directors for six years. It should be remembered that the directors thus appointed will also constitute the board of directors of the Interfin intermunicipal financing organisation.

The remuneration granted to member of the board of directors is subject to the decisions of the general assemblies of the Issuer and Interfin. According to the latest decisions taken by the general assemblies of the Issuer and its parent company Interfin, the directors are only remunerated by Interfin. That remuneration, which is made up of a fixed and a variable part, takes account of their participation in the Issuer's meetings. The amounts paid are recorded in an annual report to the regional authority responsible for administrative supervision.

Name	Function	Principal other functions	Address
Amrani, Mustapha	Director	Municipal councillor in Brussels	Place St. Géry 25, 1000 Brussels
Back, Alain	Director	Municipal councillor in Ixelles	Avenue Molière 500, box 6, 1150 Ixelles,
Cassart-Simon, Monique	Director, vice-president of the board and the executive committee	Alderman in Anderlecht	Avenue Romain Rolland 62, 1040 Anderlecht
De Bock, Emmanuel	Director	Member of the Brussels Parliament, municipal councillor in Uccle	Vieux Chemin 8, 1180 Uccle
De Meulemeester, Eliane	Director	Municipal councillor in Etterbeek	Place du Roi Vainqueur 14, box 14, 1040 Etterbeek
De Fauconval, Guilbert	Directors	Municipal councillor in Watermael-Boitsfort	Avenue de l'Hermine 12, 1170 Watermael-Boitsfort
Désir, Caroline	Director, member of the executive committee	Member of the Belgian Senate, member of the Brussels parliament, municipal councillor in Ixelles	Rue du Vivier 19, 1050 Ixelles
Deville, Quentin	Director	Municipal councillor in Woluwe-Saint-Lambert	Place du Tomberg 17/12, 1200 Woluwe-Saint-Lambert
Dubru, Oscar	Director	Municipal councillor in Anderlecht	Rue du Broeck 163, 1070 Anderlecht
Eylenbosch, Michel	Director, member of the executive committee	Municipal councillor in Molenbeek-Saint-Jean	Avenue des Amendiers 14/2, 1080 Molenbeek-Saint-Jean
Fassi-Fihri, Hamza	Director	Member of the Brussels parliament, alderman of Brussels	Avenue Jean-Baptiste Depaire 1049, 1020 Brussels
Gjanaj, Amet	Director, member of the executive committee	Municipal councillor in Molenbeek-Saint-Jean	Rue du Sonnet 8, 1080 Molenbeek-Saint-Jean
Hendrickx, Steve	Director	Municipal councillor in Jette	Avenue de la Jette 99, 1090 Jette

Martroye de Joly, Jacques	Director	Municipal councillor in Uccle	Avenue de la Ramée, 1180 Uccle
Mejbar, Mounia	Director	Municipal councillor in Brussels	Place du Jardin aux Fleurs 4, box 4, 1000 Brussels
Muylle, Pierre	President of the board of directors and the executive committee	Alderman in Evere	Rue Saint-Joseph, 1140 Evere
Nekhoul, Yasmina	Director	Alderman in Saint-Gilles	Rue de Roumanie 51, 1060 Saint-Gilles
Nimal, Frédéric	Director, member of the executive committee	Municipal councillor in Schaerbeek	Avenue Lacomblé 66, box 1, 1030 Schaerbeek
Noel, Bernard	Director	Municipal councillor in Auderghem	Avenue René Stevens 117, 1160 Auderghem
Pivin, Philippe	Director	Member of the Brussels parliament, mayor of Koekelberg	Avenue de l'indépendance Belge 72, 1080 Koekelberg
Roberti, Stéphane	Director, member of the executive committee	Municipal councillor in Forest	Rue de Mérode 394, 1190 Forest
Tomas, Eric	Director	Member of the Brussels parliament, mayor of Anderlecht	Avenue Eugène Ysaye 13, 1070 Anderlecht
Van Laethem, Jean-Paul	Director	Alderman in Ganshoren	Avenue Marie de Hongrie 139/7, 1083 Ganshoren
Vanden Bremt, Agnès	Director	Alderman in Sint-Agatha Berchem	Zevensterrenstraat 35, 1080, Sint-Agatha Berchem
Vanhee, Claude	Director	Municipal councillor in Woluwe-Saint-Pierre	Avenue du Hockey 38, 1150 Woluwe-Saint-Pierre

An executive committee and a management committee are organised at the level of the Issuer. Other committees (e.g. audit committee) exist at the level of Brussels Network Operations SCRL/CVBA (hereafter "**BNO**"), one of the Issuer's operational subsidiaries.

The executive committee

Without prejudice to the powers reserved for the general assembly and the board of directors, the executive committee decides in particular on procurement contracts, the functioning of the market and the regulation policy, with the exception of matters relating to prices and regulations, the management and control of subsidiaries and joint-venture companies, and the nomination of members of the management committee. In addition, the executive committee prepares the points listed on the board of directors' agenda.

The executive committee comprises:

- (i) 7 directors appointed at the proposal of the municipalities;
- (ii) a maximum of 3 directors appointed at the proposal of other partners, if the intermunicipal organisation includes partners other than the municipalities and the Interfin intermunicipal financing organisation.

The table setting out the composition of the board of directors above, indicates which of the directors is a member of the executive committee of the Issuer as at 25 February 2013.

The remuneration granted to the members of the executive committee consists of a fixed and a variable part. It is subject to the decisions of the general assemblies of the Issuer and Interfin. The amounts paid are recorded in an annual report to the regional authority responsible for administrative supervision.

The managing director and the management committee

1. Generalities and composition

The Issuer's day-to-day management is assigned to a managing director appointed by the executive committee and a management committee comprised of the managing director and persons appointed by the executive committee upon proposal of the managing director.

The managing director and the other members of the executive committee are members of the personnel of BNO.

The managing director attends the board of directors and the executive committee in a consultative capacity.

All members of the Issuer's management committee are subject to the legislation on employment contracts. Each year, the appointment and remuneration committee determines the objectives of the managing director, as well as the KPI's of the balanced score card, the result of which is taken into account when assessing the performance of the managing director and other members of the management committee. BNO's appointment and remuneration committee determines the assessment of the managing director and the other members of the management committee. Those objectives serve as a basis for assessing their performance.

The table below sets out the composition of the Issuer's management committee as at the date of this Prospectus.

Name	Function	Address
Luc Hujoel	Managing Director	Avenue du Parc de Woluwé 46, B-1160 Auderghem
David Carliez	Asset Management Department	Rue Bois-Eloi 52, B-1380 Lasne
Patrick Claessens	Network Access Management Dept.	Avenue du pois de senteur 37, B-1020 Brussels
Philippe Colin	IT Dept.	Avenue Broustin 82, B-1083 Ganshoren
Philippe Massart	Communication Dept.	Avenue de Messidor 88, B-1180 Brussels
Jean Perbal	Network Management Dept.	Avenue Van Becelaere 94, B-1170 Watermael-Boitsfort
Katelijne Van Overwalle	Human Resources Dept.	Eeckhoutveldweg 14, B-1785 Merchtem
Luc Zabeau	Finance Dept.	Kappellelaan 249, B-1950 Kraainem

2. Profiles of the members of the management committee

(a) Luc Hujoel

Luc Hujoel, managing director of the Issuer and *Conseiller général* of Interfin since 2003, was born on 10 February 1951. He holds a Master's degree in Economics from the Catholic University of Louvain (UCL).

He is also a director of Fluxys SA and of various subsidiaries of the Issuer.

After working for 10 years as an economist in a socio-economic research consultancy, he became a *Conseiller* in 1986 at the intermunicipal organisation Interelec, a position he later held together with that of chairman of the board of experts at Intermixt and managing director of the intermunicipal organisation Sibelgaz. Between 1983 and 2003, he was an expert on the Select Committee of the Electricity and Gas Control Committee. He held a seat on the board of directors of Electrabel from 1998 to 2010.

(b) David Carliez

David Carliez, born on 23 October 1965, is a Civil Mining Engineer at the Polytechnic Faculty of the Free University of Brussels, holds a post-graduate diploma in Financial Management from HEC St. Louis and CEPAC post-graduate diploma (Executive Master in Management) from the Solvay Business School.

After a year with IBM, David Carliez started his career in the energy industry with Distrigaz SA in 1990, where he held various technical posts (subterranean storage, research, project management, metering) until 1999. Between 2000 and 2003 he was a strategy consultant with McKinsey consultancy, then he was the IT Manager at Fluxys SA between 2003 and 2004. In 2005, David Carliez joined the Arcelor group in a team responsible for reorganising the group's entities in Liège, becoming director of industrial performance at Arcelor Froid in Liège.

In 2007, David Carliez joined the Issuer as Head of Asset Management, which currently covers the activities of planning, design, sourcing and constructing gas and electricity networks, customer installations and public lighting.

He is also a director on the boards of the Association Royale des Gaziers de Belgique and Synergrid.

(c) Patrick Claessens

Born on 6 October 1967, he holds a degree in civil engineering (mechanics/electricity). He joined the energy industry in 1993, holding various technical posts: Operations Manager, Study & Construction of Networks, Asset Management, Purchasing & Sourcing, Methods and Training. Since 2004 he has been Head of the Network Access Management Department. In this position he piloted the programme for liberalising the energy market (2007) and the IT unbundling programme for the management of that liberalised market (2006-2008). In 2011 he took charge of the programme for rolling out intelligent meters. He is also a director of Metrix (subsidiary of the Issuer for meter readings) and Atrias (subsidiary of the Issuer and of the four other operators of distribution networks in Belgium, in charge of implementing the federal clearing house).

He is also a director of various subsidiaries of the Issuer.

(d) Philippe Colin

Philippe COLIN, born on 14 July 1958, graduated from the Catholic University of Louvain in 1982 in civil engineering (construction). He began his career in the IT sector in 1982 with AXA and took on various IT responsibilities with Bull (1984-1991), Swiss Life (1991-2001), Banksys (2001-2004), before joining the Issuer at the beginning of 2005 as CIO, where he installed a new IT system independent of the historical operator and capable of supporting the liberalisation of the industry.

(e) Philippe Massart

Philippe Massart, born on 17 July 1957, holds a degree in social sciences (applied sociology option) from the Free University of Brussels. He started his career as a Benelux adviser to the EGNA Conseils agency in Paris. He subsequently joined Intercom as head of communication for nuclear power stations. In 1990, he joined the task force responsible for setting up the Electrabel group, for which he became the spokesman. At the beginning of 2003, he joined the Issuer at its inception as Secretary to the board of directors and Head of Communication. He has also been *maître de conférence* at the Free University of Brussels since 2003.

(f) Jean Perbal

Jean Perbal was born on 17 June 1953, graduated in electromechanical civil engineering and spent an additional year in management studies (CEPAC - 1986), as well as CEDEP's general management programme (Fontainebleau). He initially held various positions successively in the Federal Transport Authority, then abroad with an engineering consultancy and finally with the cement-production group CBR as project engineer. In 1989, he joined the energy industry, where he held various technical and management positions for the distribution of gas and electricity in Brussels. He is currently head of the Issuer's "Network Management" department, a position which he has held since 2006.

(g) Katelijne Van Overwalle

Katelijne Van Overwalle, born on 29 July 1956, graduated in 1980 from the University of Ghent in psychological and pedagogical sciences. She began her professional career as a management consultant with the Jean Marie Jouret Management Center, and took a post-graduate evening course in Business Administration at the Catholic University of Leuven. Four years later, she worked as European training coordinator for the multinational, Sperry New Holland. In 1988, she entered the energy industry, where she held various HR management positions for Electrabel (talent management, training coordination, staff administration). In 2006, she was entrusted with the responsibilities of Head of Personnel at BNO.

(h) Luc Zabeau

Luc Zabeau, born on 4 July 1956, graduated with bachelor degrees in Commercial and Financial Sciences and Commercial Engineering. He began his career in 1980 in the oil industry. He joined the energy industry in 1983, holding various administrative and financial posts with Electrabel. He then joined the Issuer in 2003, where he became Head of the Finance Department.

He is also a director of Fluxys Belgium and of various subsidiaries of the Issuer.

Corporate governance and conflicts of interest

Unlike TSOs, the DSOs, including the Issuer, are not required by law to have independent directors. The Issuer has not appointed any independent director. Accordingly, note in this respect that the actions of the Issuer are supervised by the CREG and by the administrative supervision exercised by the Brussels Capital Region.

As the Issuer is a cooperative company there are no particular rules and procedures in the Belgian Companies Code in case of a conflict of interest at the level of the board of directors. Nevertheless, the articles of association of the Issuer lay down certain rules with respect to particular situations when a director may not attend a meeting of the board of directors.

As far as the Issuer is aware, the members of its board of directors, its executive committee and of its management committee have no conflicts of interest between on the one hand, their duties towards the Issuer and, on the other hand, their private interests towards other persons and/or other duties.

Capital and Shareholders

Shareholders at the date of this Prospectus

The Issuer's equity capital currently represents an amount of EUR 554,798,977.08, divided into A shares (hereinafter, "**A shares**") and E profit certificates (hereinafter, "**E shares**"), i.e.:

- (i) EUR 258,237,177.08 in A shares, and
- (ii) EUR 296,561,800.00 in E shares.

The Issuer has the 19 municipalities of the Brussels Capital Region as shareholders, each possessing 2 A shares (or 0.0008% A shares), and Interfin, which possesses the balance of A and E shares (or 99.9992% A shares and 100% E shares). The nominal value of the A and the E shares is €100.

E shares are not entitled to any voting rights. Holders of E shares are nevertheless entitled to a preferred dividend in respect of the funds represented by their E shares; This preferred dividend is determined and corresponds to the fair profit margin awarded by the regulator in respect of the funds exceeding the ratio of equity to RAB of 33 per cent (i.e. currently OLO ten years plus 70 basis points).

Fixed versus variable capital

The Issuer's equity capital comprises a fixed part and a variable part. The fixed part of the equity capital is set at EUR 1,145,416.00 and is fully subscribed and paid up. Any decision to increase or reduce the fixed part of the capital comes under the authority of the general assembly.

The Issuer's capital is variable for the part that exceeds the fixed part. This part of the capital varies in accordance with the admission or exclusion of shareholders and other increases or reductions in the variable capital. The variable capital may be increased or reduced by decision of the board of directors and does not require an amendment to the articles of association. If the capital is increased, the new shares will be offered for subscription to the shareholders, in proportion to the number of A shares they hold.

Admission versus withdrawal/exclusion of shareholders

In order to be admitted as a shareholder of the Issuer, certain conditions must be met. The Issuer's articles of association state that:

- (a) a decision by the board of directors must be taken with a qualified majority of three-quarters of the directors present or represented;
- (b) the municipalities must hold, directly or indirectly via the Interfin intermunicipal financing organisation, at least seventy percent of the A shares and at least seventy percent of the E shares;

- (c) the authorisations required, as the case may be, by applicable law and regulations must have been obtained; in fact, these regulations require that the municipalities may not reduce the share they hold directly or indirectly in the equity capital of the Issuer without authorisation from the government and, on the other hand, that the private shareholders of the Issuer may not sell their shares to persons who are not shareholders without authorisation from the government.

The shareholders may decide to withdraw from the company (withdrawals of shares or of payments made not being authorised). We refer you to the paragraph *The possibilities of withdrawal*, page 56 for an overview of the circumstances in which a withdrawal is authorised and the applicable conditions. A shareholder may only be excluded for serious failure to honour its commitments to the Issuer. A shareholder who resigns or is excluded (i) is entitled to the reimbursement of his share as shown on the balance-sheet for the financial year during which the resignation was tendered; (ii) will take back the staff of the company who were assigned to the activities of distribution over its territory, as well as his share of the pension entitlements and (iii) will make full reparations for the financial or other consequences, evaluated by experts, that his resignation or exclusion causes to the other partners or the company.

Issuer's participations and relations between the Issuer and its subsidiaries.

Relations between the Issuer and its daily operation subsidiaries

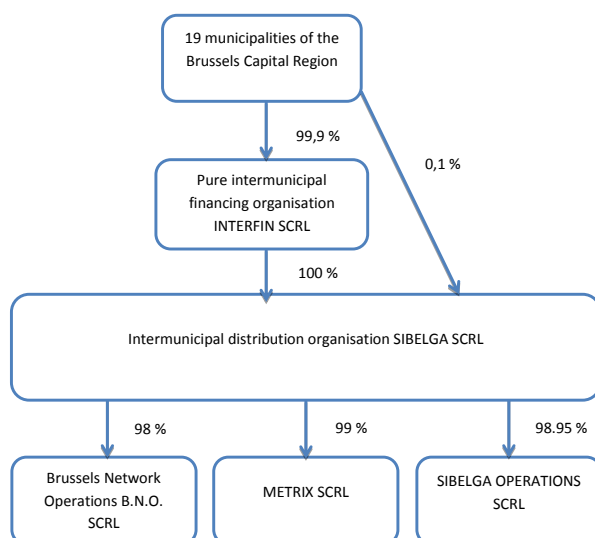
The Issuer controls two subsidiaries, Brussels Network Operations SCRL/CVBA and METRIX SCRL/CVBA, which provide for the daily and operational management of its activities. The possibility for the Issuer to assign the daily operation of all or some of its activities to one or more operating companies follows from in the Brussels order of 1 April 2004 on the organisation of the regional gas market and the Brussels order of 19 July 2001 on the organisation of the regional electricity market, subject to the following conditions:

- (i) relations with BRUGEL (or the CREG when it concerns tariff matters for as long as the tariff competences have not been transferred to the Regions) and other authorities as well as the accounting and financial management must be undertaken totally independently of the energy suppliers, or persons controlling an energy supplier or controlled by an energy supplier;
- (ii) there must be a sufficient number of qualified staff;
- (iii) there must be an IT system independent of the energy suppliers, or persons controlling an energy supplier or controlled by an energy supplier;
- (iv) the DSO must have the means of exercising effective control over the performance of delegated tasks;
- (v) with regard to the public service obligations, the procedures for delegation must be approved by the government, after advice from BRUGEL;
- (vi) activities relating to network access, to metering and to relations with the suppliers and users of the distribution network may not be assigned to energy suppliers, or persons controlling an energy supplier or controlled by an energy supplier;

The Issuer's articles of association have confirmed that the Issuer can fulfil its corporate purpose in particular by creating any operational subsidiaries that it controls in compliance with the conditions laid down by the regional legislation mentioned above.

The Issuer is charged by its subsidiaries for the services they deliver at cost. Similarly, the Issuer will charge its subsidiaries at cost for certain facilities and services made available, or contracted, by the Issuer for the benefit of its subsidiaries. The amount payable by the subsidiaries to the Issuer is compensated with the amount payable by the Issuer to its subsidiaries, and in practice the resulting payment is a payment from the Issuer to its subsidiaries. The Issuer also pays a small fee to its subsidiaries calculated by reference to the invested capital in accordance with a formula approved by the regulator. This mechanism and the payment of this fee has no impact on the profit margin of the Issuer.

The structure of the Issuer, its shareholders and its subsidiaries is set out below:



Brussels Network Operations SCRL/CVBA

BNO was founded on 11 May 2006 by the companies Electrabel SA, Telfin NV/SA and Teveo SCRL/CVBA according to a deed published in the Annexes to the Belgian State Gazette on 22 May 2006 under number 06086221. Its head office is located at Quai des Usines 16, B-1000 Brussels. It is registered with the enterprise register (*register des personnes morales / rechtspersonenregister*) in Brussels under enterprise number 0881.278.355.

It started operations on 1 July 2006. On that date, Electrabel contributed its branch of activities known as "Netten Réseaux Bruxelles", operating the networks of the Issuer and the staff assigned thereto, to BNO. On 1 September 2006, the Issuer purchased all the shares held by Electrabel in BNO, which consequently became a subsidiary of the Issuer.

This contribution, and the subsequent sale of shares were undertaken pursuant to decisions taken on 27 March 2006 by the shareholders of the Issuer to restructure the daily operations of the management of the distribution networks in Brussels and bringing to an early end the provision of services supplied by Electrabel under the articles of association of the intermunicipal organisation.

The corporate purpose of BNO is:

- (i) any activities concerning the development, operation, the maintenance of distribution networks for electricity, gas and fibre-optic in the Brussels Capital Region, including connecting up to the networks;
- (ii) any activities relating to the management of access to the networks and the technical management thereof;
- (iii) any activities relating to pipelines;
- (iv) any activities relating to the installation, operation and maintenance of meters;
- (v) any activities relating to the production and distribution of renewable energy and energy produced by co-generation plants and public lighting;
- (vi) any activities relating to public service obligations, particularly with regard to protected customers;
- (vii) any activities relating to the provision of energy services in connection with the activities of the Distribution System Operator of Brussels, whether administrative, technical or commercial;
- (viii) in general, the provision of services and provision of know-how, notably with regard to logistics and Information Technology, for the Distribution System Operator of Brussels.

The amount of BNO's share capital consists of the single fixed share in the equity capital represented by 100 shares with a value of EUR 18,600. These shares are divided as follows:

- (a) the Issuer: 98
- (b) RDE: 1
- (c) Interfin: 1

The articles of association were amended by the Extraordinary General Assembly on 17 September 2009 as described in the deed published in the Annexes to the Belgian State Gazette on 12 October 2009 under number 09142955.

Significant figures (2011) in millions of Euro (except staff)	
Turnover:	111,520
Profit:	0,002
Stockholders' equity:	0,020
Tangible assets:	0
Liabilities on more than one year	0.
Liabilities on one year or less	27,061
Financial debts	0
Staff employed (full-time equivalent):	1,023

Under an agreement dated 17 September 2009, the Issuer assigned to BNO the daily operation of its activities as Distribution System Operator for electricity and gas in the Brussels Capital Region, including the public service missions and obligations incumbent on the Issuer in that capacity. This delegation will come to an end upon expiry of the period of time, which may be extended, for which the Issuer was founded or when the Issuer loses its capacity as Distribution System Operator for electricity and gas in the Brussels Capital Region, if that date is earlier.

BNO fulfils its mission in compliance with the rules, particularly in respect of independence, laid down by the legislation on the electricity and gas markets in the Brussels Capital Region, the decisions taken by the Issuer's statutory bodies within the framework of their powers, and technical regulations, investment plans, programmes for fulfilling public service missions and approved budgets (including the associated target organisation-charts). Subject to these reserves, BNO may organise itself freely with a view to improving the quality of service and the organisation thereof in the most economical way possible.

In order to ensure the Issuer's effective control over the performance of the delegated tasks, BNO's articles of association provide, similar to the Issuer's articles of association, that the company's day-to-day management be assigned to a managing director and a management committee, and the shareholders' agreement adds that the members of the management committee of both companies will be the same.

The board of directors and the executive committee consequently appointed the following persons as members of BNO's management committee:

- (a) Luc Hujoel,
- (b) David Carliez,
- (c) Patrick Claessens,
- (d) Philippe Colin,
- (e) Philippe Massart,
- (f) Jean Perbal,
- (g) Katelijne Van Overwalle,
- (h) Luc Zabeau.

To the public, the authorities and the Issuer's customers BNO acts on behalf of the Issuer and in any correspondence, publication, invoice, etc. uses the trade name and logo of the Issuer, unless the law or the regulations require that it acts in its own name.

Without prejudice to the insurance covering the risk of third-party liability of BNO, its administrative bodies and representatives, the Issuer undertakes to hold BNO harmless from any claim that might be made against it, in a contractual or extra-contractual context, by third parties or a co-contracting party in relation to the performance of the daily operational missions assigned to it.

METRIX SCRL/CVBA

Metrix SCRL/CVBA ("**Metrix**") was founded on 10 December 2004 according to a deed published in the Annexes to the Belgian State Gazette on 24 December 2004 under number 04178340. Its head office is located at Quai des Usines 16, B-1000 It is registered with the enterprise register (*register des personnes morales / rechtspersonenregister*) in Brussels under enterprise number 0870.565.793.

The mission of this company is to take manual readings from all the electricity and gas meters annually, monthly or as requested. Metrix also used to validate the meter readings until 1 September 2006. On that date, this activity was assigned by the Issuer to its subsidiary BNO.

Metrix's capital is EUR 160,000 and is represented by 6,400 registered shares of which 800 (for an amount of EUR 20,000) represent the fixed part of the share capital and 5,600 (for an amount of EUR 140,000) represent the variable part of the share capital. The share capital is divided as follows:

- (a) the Issuer: 6,336 shares
- (b) Interfin: 32 shares
- (c) Association intercommunale des régies de distribution d'énergie: 32 shares.

The articles of association were amended by the extraordinary general assembly on 19 November 2009 as described in the deed published in the Annexes to the Belgian State Gazette on 11 December 2009 under number 09174771.

Significant figures (2011) in millions of Euro (except staff)	
Turnover:	2.721
Profit:	0.002
Stockholders' equity:	0.162
Tangible assets:	0.096
Liabilities on more than one year	0.
Liabilities on one year or less	0.496
Financial debts	0
Staff employed (full-time equivalent):	44

The members of the board of directors of Metrix are members of staff of BNO, and the latter provides services for Metrix in the following domains:

- (i) Human Resources management;
- (ii) Logistics management;
- (iii) Information system management;
- (iv) Accounting and finance management;
- (v) Secretarial services for the companies' administrative bodies;
- (vi) Internal and external communication management;
- (vii) Relations with the regulators and the authorities;
- (viii) Asset management;

- (ix) Insurance management;
- (x) Management of legal affairs and disputes.

Atrias SCRL/CVBA

The Issuer also holds a participation in Atrias SCRL/CVBA ("**Atrias**"). This company was founded on 9 May 2011 by Eandis CVBA, Infrac SCRL/CVBA, Ores SCRL and the Issuer. Its head office is located at Galerie Ravenstein 4, box 2, B-1000 Brussels. It is registered with the enterprise register (*register des personnes morales / rechtspersonenregister*) in Brussels under enterprise number 0836.258.873.

Its corporate purpose is to define the new communication standard for the Belgian market and thereafter to develop a computer application known as "Clearinghouse" by mid-2016. In a liberalised market, the various players involved (suppliers, managers of distribution and transport networks) in fact have to exchange information such as, for example, changes of supplier or index statements. The DSOs are legally obliged to manage such information flows.

The Issuer and Ores SCRL sold some of their shares in Atrias to Tecteo SCRL on 21 March 2012.

Significant figures (2011) in millions of Euro (except staff)	
Turnover:	0.24 (Issuer's share: 0.05)
Profit:	0
Stockholders' equity:	0.02
Tangible assets:	0
Liabilities on more than one year	0.
Liabilities on one year or less	1.057
Financial debts	0
Staff employed (full-time equivalent):	1

Shareholders	
Eandis SCRL:	25.00%
Infrac SCRL:	25.00%
Ores SCRL:	16.67%
Tecteo SCRL:	16.67%
Issuer:	16.67%

SIBELGA OPERATIONS SCRL/CVBA

Sibelga Operations SCRL/CVBA ("**Sibelga Operations**") was founded on 10 December 2004 according to a deed published in the Annexes to the Belgian State Gazette on 30 December 2004 under number 04182046. Its head office is located at Quai des Usines 16, B-1000 Brussels.

It is registered with the enterprise register (*register des personnes morales / rechtspersonenregister*) in Brussels under enterprise number 0870.681.304. Its articles of association were published in the Annexes to the Belgian State Gazette on 30 December 2004 under number 04182046.

Today, Sibelga Operations is no longer in operation and no longer has any staff. Until 1 September 2006, Sibelga Operations undertook for the Issuer activities in the field of co-generation and public lighting. The daily operation of these activities and the staff assigned thereto were taken over by BNO as from 1 September 2006.

The Company's capital is EUR 19,000 represented by 760 registered shares divided as follows:

- (i) the Issuer: 752 shares
- (ii) Interfin: 4 shares
- (iii) Association intercommunale des régies de distribution d'énergie: 4 shares

Significant figures (2011) in millions of Euro (except staff)	
Turnover:	0.02
Profit:	0.002
Stockholders' equity:	0.016
Tangible assets:	0
Liabilities on more than one year	0.

Liabilities on one year or less	0.002
Financial debts	0
Staff employed (full-time equivalent):	0

The Issuer's financing policy

General

As set out in paragraph *Regulatory framework applicable to the regulatory period 2009-2012 – Fair profit margin and depreciation* on page 45, the CREG incentivises the Issuer (and the other distribution system operators) to finance their RAB through a combination of 33% equity and 67% debt. Currently, the level of equity of the Issuer represents approximately 79.35% of its RAB for gas and 70.48% of its RAB for electricity.

The Issuer considers that it wishes to be more prudent than the suggested 33% equity / 67% debt proportion, and has as a long term objective to finance its RAB through 40% equity and 60% debt. The Issuer intends to reach this long term objective through the financing of its investments through additional indebtedness, or through specific operations. The Issuer does not currently contemplate such specific operations.

It may be expected that under the current regulatory regime, and assuming a cost of debt finance in excess of the interest rate on ten-year Belgian government bonds plus 70 basis points, the tariffs applied by the Issuer would have been higher if the Issuer financed itself more through debt and less through equity.

Since the financial crisis in 2008, the conditions for granting loans by the Belgian banks have been tightened, giving rise to a shortening of maturity dates and a rise in banking margins. In anticipation, the Issuer defined a new financing policy during the course of 2012, intended to diversify the financing sources by appealing to the capital markets, by means of private or public bond issues.

Indebtedness

Historic indebtedness on account of pensions

As mentioned in the paragraph *Pension Financing Risk* on page 14 the pension system of the employees of BNO (who were, at that time, employed by Electrabel SA) changed in 1993. As part of this overhaul, employees that were in the then existing annuities system could opt to receive a lump-sum payment at their retirement age. In respect of the employees who opted for the lump sum payment, an agreement was, at the time of the acquisition by the Issuer, reached with Electrabel SA pursuant to which (i) Electrabel SA would make the necessary provisions in its accounts and pay the relevant amounts to the employees and (ii) the Issuer would reimburse these amounts to Electrabel over time. The outstanding amount of such obligation, recognized as debt in the accounts of the Issuer, amounted to EUR 99,064,059.49 as at 31 December 2012. This amount constituted one loan the interest rate of which was linked to the rate applicable on Belgian OLO's. The higher interest rate on OLO's in 2011 explains why the interest costs incurred by the Issuer were higher in 2011 than in 2010, despite the lower amount outstanding.

As at 31 December 2012, this amount is divided in three loans as follows:

- (a) a loan of EUR 48,081,325.30 granted by Electrabel SA and transferred to Synatom at the end of 2012. Sliding-scale repayments according to a pre-established plan with final payment in 2026. Loan at 5-year average OLO rate weighted + 12.5 bps.
- (b) a loan of EUR 33,950,217.50 granted by Electrabel SA and transferred to Synatom at the end of 2012. Constant repayments in 14 tranches with final payment in 2026. Loan at fixed rate of 2.92%.
- (c) a loan of EUR 17,032,516.69 granted by KBC Bank. Sliding-scale repayments according to a pre-established plan with final payment in 2018. Loan at fixed rate of 2,199%.

Other long term indebtedness

The other financial debts amounted to EUR 21,708,167.95 at the end of 2011. At the end of 2012, these amounted to EUR 17,266,922.98. They comprise bank loans with an average maturity of 10 years assigned by a public procurement tendering procedure for services (this procedure being imposed by the Issuer status as a legal entity under public law). The final due date for these loans is set for the end of 2018.

Short term financing

With regard to short-term financing, the Issuer has two short-term financing instruments:

- (a) a credit facility for an amount of EUR 10,000,000.00 with the KBC that can be used in the form of cash credits or fixed-term advances, and
- (b) a commercial paper programme for an amount of EUR 100,000,000. This is used to finance short-term requirements.

Short term non-financial indebtedness

The short term non-financial indebtedness mainly consists of trade credit granted by the suppliers to the Issuer, as well as dividends due but not yet paid, as at the date of the relevant financial statements. In respect of the financial statements for the financial year ended 31 December 2011, the amount of such dividends was EUR 66,599,349.84 (out of a total of other short term indebtedness of EUR 85,617,348.01).

Selected unaudited financial information for the financial year 2012 of the Issuer and material developments during the financial year 2012

This section contains selected unaudited financial information for the financial year 2012 of the Issuer, as well as a description of the material developments during the financial year 2012. Note that this unaudited financial information has not yet been approved by the board of directors or the shareholders of the Issuer.

During the financial year 2012, the Issuer changed the accounting treatment of the regulatory balances for manageable costs (in which respect please refer to the paragraph "*Allocation of balances*" on page 48). If the board of directors and the shareholders approve the annual accounts for the financial year 2012, the treatment of the regulatory balances for manageable costs will be different than was the case for the financial years 2011 and 2010.

(c) Selected unaudited financial information for the financial year 2012 of the Issuer

The following tables set out in summary form balance sheet and income statement information relating to the Issuer. Such information is derived from the unaudited financial statements of the Issuer as at and for the year ended 31 December 2012. These unaudited financial statements of the Issuer are prepared by the management of the Issuer, and have not yet been approved by the board of directors or the shareholders of the Issuer.

The unaudited financial information for the financial year ended 31 December 2012 of the Issuer set out below is shown in comparison with the information for the financial year ended 31 December 2011, which information was taken from the audited financial statements of the Issuer as at and for the year ended 31 December 2011 of the Issuer shown in Annex 1 to this Prospectus.

The financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium. Such financial statements for the financial years ended 31 December 2011 and 31 December 2010, together with the reports of the auditors of the Issuer thereon and the accompanying notes, appear in Annex 1 to this Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

Balance sheet – Assets (in ,000,000 EUR)		
	31 December 2011	31 December 2012
Total current assets	289	249
of which cash & cash-equivalents	38	11
Total non-current assets	1,096	1,113
Total assets	1,385	1,362
Balance sheet – Equity and Liabilities (in ,000,000 EUR)		
	31 December 2011	31 December 2012
Non current liabilities	237	195
of which financial debts	16	54
of which other non current liabilities	221	141
incl. provisions	122	67
Current liabilities	236	246
of which loans	0	8
of which creditors	80	59
of which other current liabilities	156	179
Total shareholder's equity	912	921
Total liabilities & equity	1,385	1,362
Income statement (in ,000,000 EUR)		
	31 December 2011	31 December 2012
Operating income	362	336
Operating charges	-295	-246
Financial charges	-5	-3
Profit (loss) for the period	67	87

(d) **Key developments during the financial year 2012**

(i) **General**

Reference is made to above unaudited financial information for the financial year 2012. Note, that, due to a change to the accounting for regulatory balances for manageable costs, investors should also consider the paragraph "*Accounting change and pro forma financial information*" below. The below is a general description of the material items; a specific description of the two most significant changes can be found in the paragraphs "*Exit of Electrabel*" en "*Settlement with Distrigaz*" below.

On the balance sheet, two material evolutions occurred during the financial year 2012 compared to the financial year 2011. On the asset side, the Issuer's total non-current assets increased with an amount of EUR 17 million (after deduction of depreciations and decommissioning) due to the implementation of the Issuer's investment program. Also, the Issuer's amount of cash and cash equivalent investments decreased significantly as well, primarily following the advance on dividends referred to in the paragraph "*Exit of Electrabel*" below and the settlement with Distrigaz (in respect of which please refer to the paragraph "*Settlement with Distrigaz*" below and the section "*Use of Proceeds*" on page 77 below).

As far as the "equity and liabilities" side of the balance sheet is concerned, the most important change is the decline in the Issuer's provisions by approximately 50 per cent. This decrease is primarily the result of the following operations. As further explained in the paragraphs "*Accounting change and pro forma financial information*" and "*Exit of Electrabel*" below, the provision in respect of the regulatory balance with regard to the manageable costs for the financial years 2010 and 2011 was reversed with an amount of EUR 20,708,165. Also, as further detailed in the paragraph "*Settlement with Distrigaz*" below, the provision made for this litigation was used as a consequence of the payment due by the Issuer in respect of such settlement (with the remaining amount reversed). The change to the shareholders equity is primarily a consequence of the creation of an available reserve for the amount of the regulatory balance for manageable costs for the financial year 2012 "*Accounting change and pro forma financial information*". On the income statement, the main driver for the increased profit of the Issuer are

economies realised by the Issuer as far as services and various goods are concerned, and the abovementioned used and reversals of provisions.

(ii) **Accounting change and modified financial information**

Reference is made to the description of the treatment of regulatory balances for manageable costs in the paragraph "Allocation of balances" on page 48. During the financial year 2012, the Issuer has decided to change the accounting treatment of these balances. Accordingly, if the board of directors and the shareholders approve the annual accounts for the financial year 2012, the treatment of the regulatory balances for manageable costs will be different than was the case for the financial years 2011 and 2010. Under the new regime, the Issuer will no longer make a provision for the amount of the regulatory balances of manageable costs until approval of the amount thereof by the regulator, but will book the amount of such balance as an available reserve. This change was made at the occasion of the exit of Electrabel in light of the fact that (i) the amount of such balance is the result of the company incurring less costs than budgeted, and is by the Tariff Decrees destined to be retained by the shareholders, (ii) the Tariff Decrees, nor other directives issued by the regulator, do not contain guidance on how to account for these balances, and the Issuer has noted that, in practice three different methods existed (provisioning as per the accounts for the financial year 2011 and 2010 of the Issuer, recognition as profit and distribution, recognition as profit and placement in an available reserve). The Issuer is of the view that creating an available reserve for the amount of such regulatory balance for manageable costs provides an accurate view of the profitability of the Issuer and is more in line with the treatment used in the market.

Below is selected unaudited modified financial information showing the consequences of such change. This modified financial information has been obtained by (i) for the financial year 2011 not creating a provision for the regulatory balances for manageable costs - as a consequence of which the profit for 2011 increases (compared to the financial information set out above)- which profit increase is booked as available reserve and (ii) for the financial year 2012, not reversing the provision for the regulatory balances for manageable costs – which results in higher charges (since the reversal of the provision constitutes a negative charge – as a consequence of which the profit for 2012 decreases (compared to the financial information set out above).

Unaudited modified balance sheet – Assets (in ,000,000 EUR) – changes compared to the financial information set out above in <i>bold italics</i>.		
	31 December 2011	31 December 2012
Total current assets	289	249
of which cash & cash-equivalents	38	11
Total non-current assets	1,096	1,113
Total assets	1,385	1,362
Balance sheet – Equity and Liabilities (in ,000,000 EUR)		
	31 December 2011	31 December 2012
Non current liabilities	216	195
of which financial debts	16	54
of which other non current liabilities	200	141
incl. provisions	101	67
Current liabilities	236	225
of which loans	0	8
of which creditors	80	59
of which other current liabilities	156	158
Total shareholder's equity	912	942
Total liabilities & equity	1,385	1,362
Income statement (in ,000,000 EUR)		
	31 December 2011	31 December 2012
Operating income	362	336
Operating charges	-286	-267
Financial charges	-5	-3
Profit (loss) for the period	76	66

(i) ***Settlement with Distrigaz***

The financial statements of the Issuer for the financial year ended 31 December 2011 contain a provision for an amount of EUR 29,893,333 (*Prov. Reconciliation 2004-2006*, see page 109) relating to a litigation with Distrigaz. This litigation relates to the transitional period before the liberalisation of the market for gas (i.e. the so-called 'captive market'). The subject of this litigation was the Issuer's non-agreement with the methodology used by Distrigaz to determine the volumes of gas invoiced to the Issuer. This litigation was settled in 2012, and an amount of EUR 29,746,990 (excluding VAT) was paid to Distrigaz in the context of this settlement. This provision will accordingly be used for such amount, and reversed for the remaining amount in the financial statements for the financial year 2012.

(ii) ***Exit of Electrabel***

As indicated in paragraph *History* on page 32 above, Electrabel SA is no longer a shareholder of the Issuer. In the context of its retreat, a pro rata advance on dividends was paid out to the shareholders of the Issuer, i.e. Electrabel SA and Interfin SCRL/CVBA. This advance was calculated taking into account the existing positive regulatory balances of manageable costs for the financial years 2010 and 2011 (in which respect please refer to the paragraph "*Allocation of balances*" on page 48). The corresponding provision in the financial statements for the financial year 2011 (i.e. the provision made to reflect the uncertainty in respect of the approval of the amount of such regulatory balances, "*Prov. for regulatory risks*", see page 109)) was reversed with an amount of EUR 20,708,165 (the total amount of the part of this provision that related to the regulatory balances for manageable costs) as a consequence. As described in paragraph "*Accounting change and pro forma financial information*" above, if the board of directors and the shareholders of the Issuer approve the annual accounts for the financial year 2012 of the Issuer, the regulatory balances for manageable costs will no longer be covered by a provision, but will instead be booked as an available reserve. In view of this expected change, the Issuer has considered it could reverse such provision.

Trends

Challenges for the decentralised production of electricity

Through its "Climate-Energy Package", the European Union set objectives for the reduction of greenhouse gas emissions, energy savings and the use of renewable energy sources. The objective, more precisely, is to reduce by the year 2020 greenhouse gas emissions by 20% , to increase energy efficiency by 20% and to have 20% of the EU's energy mix comprised of renewable energy sources.

Regarding the latter point, Directive 2009/28/EC requires Belgium to have 13% of its energy produced from renewable sources in its final energy consumption in 2020. The Brussels Capital Region intends to contribute towards the realisation of this national objective even though the potential for developing installations for producing renewable energy in its territory is quite limited, bearing in mind its exclusively urban character. Several measures designed to promote the production of energy from renewable sources have been adopted.

Hence, owners of photovoltaic panels with an installed production capacity equal to or less than 5 KW can benefit from two support measures:

- (a) the prosumer (i.e., a customer who is both a producers and consumer) receives green certificates each year for a maximum period of 10 years, which can be sold for a minimum guaranteed price of EUR 65;
- (b) the prosumer only has to buy energy and contribute to the costs of the network at the rate of the balance measured on his meter between the quantities consumed and injected on the network (over a period of one year); this mechanism is called "compensation".

In addition, it should be noted that the Issuer's tariffs approved by the CREG in September 2009 for the regulatory period 2009-2012 (and prolonged for 2013-2014), do not contain a specific tariff for injection on its grid, whatever the production capacity installed. This is in contrast to the regulatory tariffs of the Flemish DSO's for which the CREG has approved a particular injection tariff for small decentralised

production entities (less than 10KW) who benefit from the compensation mechanism on 6 December 2012.

It should be noted however that several owners of photovoltaic panels and organisations defending the interests of those small producers are challenging these decisions before the Court of Appeal of Brussels. The claimants argue *inter alia* that the CREG's decisions were insufficiently motivated, discriminate between different producers of decentralised installations and have no valid legal basis. Although the outcome of such proceeding can never be predicted, it should be emphasised that very recently the Court of Appeal of Brussels in its judgement of 6 February 2013 annulled a similar decision of the CREG regarding injection tariffs imposed on Belgian electricity producers for their access to the transmission grid. Even though this recent judgement does not exclude the validity of injection tariffs per se, it clearly underlines that any injection tariff should be adequately motivated by the regulator, cost-reflexive, specific for the services rendered and not-compensatory. Any injection tariff introduced in the Brussels Capital Region by the regulator should therefore fulfil these conditions.

At the moment, and in comparison with the other two Regions in the country, the number of PV installations connected to the Issuer's networks remains fairly limited (about 2,300) and most of these installations are small, bearing in mind the limitation of available surface areas in towns and cities. This fact, combined with the Issuer's relatively large electricity networks, reduces the risks inherent in decentralised production, at least in the short term.

In addition, the Issuer does not envisage to make specific investments in the short term to strengthen its network and/or to make it more flexibly due to the bidirectional, intermittent and uncertain flows linked to PV installations.

However, in the medium term, when the distribution tariff competences have been transferred to the Region and the regional regulator BRUGEL, it is recommended to re-examine to what extent prosumers should both be supported by granting them specific investments linked to the multiplication of decentralised production installations on the network, and how the general grid costs which can be fairly shared between all the grid users (given the absence of an injection tariff and the existing compensation mechanism). As already indicated above any injection tariff introduced in the Brussels Capital Region should respect the stringent criteria laid down by the Court of Appeal of Brussels in its judgement of 6 February 2013.

Challenges for the implementation of smart meters

The European Directives on electricity 2009/72/EC and gas 2009/73/EC of 13 July 2009 require Member-States to deploy smart meters that promote the active participation of consumers on the gas and electricity market. The deployment of such systems can be subject to a long-term economic evaluation of all the costs and benefits for the market and for the consumer, taken individually, or a study to determine what model of smart meters is the most rational economically and the least expensive, and which time-frame can be envisaged for their deployment.

Belgium, as a Member-State of the European Union, sent its economic evaluation to the European Commission on 3 September 2012. In this report it indicated that the results of the various technical and economic evaluations show that the conditions for installing smart metering systems over 80% of the country by 2020 have not been met.

However, the appropriate authorities in each Region (each for its own territory) have launched and announced several measures and plans to promote the active participation of consumers in the electricity and gas supply market. These campaigns are directly or indirectly linked to the smart metering systems, but all of them pursue the objectives known as the "Triple 20" set by the European Commission.

With regard to the Brussels Capital Region, the regulator, BRUGEL, has recommended to be cautious but at the same time advocates a proactive and phased approach. According to BRUGEL, it is in fact important, in spite of the negative economic analysis, to gradually prepare the deployment of smart metering systems. BRUGEL believes that a merely wait-and-see attitude could be prejudicial for the Brussels consumer and would not respond to the Commission's request for the rapid deployment of the smart meters.

BRUGEL is clearly advocating a segmented deployment focussing on those categories of customers that could benefit more from the functionalities of smart meters.

The main advantage of a smart meter is that it makes the customer more aware of the need to reduce his consumption and, specifically with regard to electricity, it changes his habits of consumption enabling him to benefit from low-peak hours, which generally coincide with a significant production output from renewable sources.

Furthermore, smart metering, if the mechanisms of support by the compensation system were to be abandoned, allows a more precise measurement of decentralised production and thus helps to evaluate the energy sold by individuals more adequately. In addition, it enables all the commercial players to improve their sales forecasts and thus to reduce the costs they incur due to imbalances between supply and demand.

In this context, the Issuer is currently embarking on a programme of remote meter-readings for larger consumers, most of which are currently being conducted monthly: between now and 2016 that will cover a total of about 20,000 meters, for both gas and electricity, or 2% of the Issuer's stock.

With regard to other categories, the segments currently identified for smart metering are prosumers, public buildings (given the line of thinking of the European Commission, who are asking the authorities voluntarily to set an example in the matter of energy efficiency), the shopping malls and multi-user service-industry buildings (by trying to simplify the process of meter-readings), sites where a major flexible load is identified (electric heating, electric vehicles), as well as any new buildings and major renovations (an imposition by the European Commission as from 2015).

For these other categories, BRUGEL is asking the Issuer to initiate a small-scale test phase that would make it possible to study a maximum of meter-functionalities and services that could be provided. At the end of that phase, or by the year 2015, BRUGEL expects the Issuer to identify the segments that offer a real opportunity for users taken individually or for the Brussels market as a whole. For the latter, a detailed technical/financial analysis will have to be undertaken and, should this happen, an equipping schedule will have to be proposed.

According to the route map proposed by BRUGEL, no fixed schedule for the generalised deployment of the smart meters has been established. However, regular re-evaluations will have to be made in accordance with developments in the industrial, technological and regulatory context. The next re-evaluation will probably be scheduled for 2015. In the meantime, BRUGEL will have obtain the competences for distribution tariffs and will most certainly ensure that the programme for deployment of smart meters has no significant impact on charges to Brussels consumers, regarding the compound use of the distribution grid.

Note that a new evolution needs to be considered in the evaluation of the programme for the deployment of smart meters. The transmission system operator, Elia, to which the Issuer has so far assigned the management of the centralised remote control (a device enabling the switching from the "day" to "night" regimes in the traditional meters), has just recently announced that it will cease this activity by the year 2022. The dual-regime meters comprise about 25% of the current stock of electricity meters and their replacement with smart meters is a possible solution to the problem caused by the retreat of Elia as operator of the centralised remote control. In the absence of the replacement by smart meters of such a system, the Issuer would be forced to take over management of the centralised remote control, as well as making a certain number of investments on its medium-tension grid. A detailed technical/economic analysis will be undertaken in 2013 to determine the best strategic scenario for this problem posed by Elia. If Elia effectively ceases its centralised remote control activities, a significant deployment (>25%) of smart meters will have to be achieved by the year 2022.

The gradual deployment of smart meters will require additional investments in the distribution grid. The planning, phasing and realisation thereof is still the subject of a study that should lead to an actual investment decision approved by the regional government. The Issuer is currently assessing the investments needed in the years beyond 2014 and its long term investment plans will be updated accordingly.

It should be noted however that the future financial impact of the investments needed for the gradual implementation of smart meters will increase the value of the RAB and these investments will normally be covered by the distribution grid fees.

Future investments

The Issuer invests recurrently and relatively constantly in the replacement of its assets (i.e., the "renewal" of its grid at replacement rates of 1 to 3%, depending on the asset). This is done mainly to maintain their quality and safety performance. The Issuer might have to face a major programme of investment for strengthening and/or modernising its grid (amongst other by computerisation and adding new functions) following the increased production of decentralised energy and the gradual deployment of smart meters. These investments can only be achieved if they are the result of a common vision shared by all authorities, the regulators and the operators with regard to the development of renewable sources of energy. In this scenario - and only in this scenario - this will lead to an increase in financial indebtedness.

In 2010 and 2011, investments in electricity and gas for the maintenance and development of the Issuer's network exceeded depreciations by about €25 million each year. At the moment these depreciations in respect of these investments are entirely integrated in the tariffs approved by the regulator.

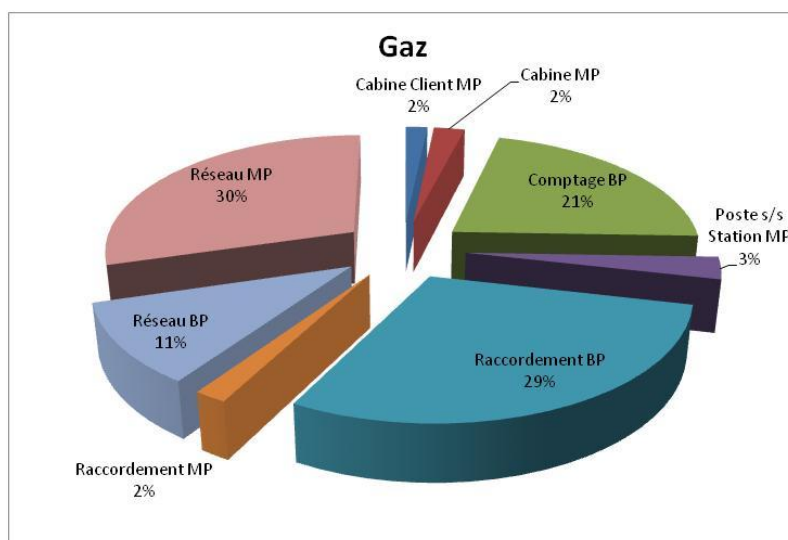
In gas, 85% of the investments in 2010 and 2011 for grid maintenance were dedicated to the replacement of equipment (essentially connections for buildings, low-pressure network pipelines and low-pressure meters). The remaining 15% aimed at extending and strengthening medium or low-pressure grids and new connections and meters.

In electricity, similar proportions apply between replacement (87%) and extension/strengthening (13%). The infrastructure elements that were replaced are mainly underground medium or low-tension cables and cabins and interconnection points with the transport networks.

The estimated budgets for 2013-2016 remain relatively unchanged for electricity, but increase for gas with 55% for replacements and 45% for extensions. This increase in gas can be explained by the planned end of the programme for eliminating cast-iron and fibrocement pipelines in 2014 and by the scheduled investment in 2016 in a new reception station in the south of Brussels, a station that will require the construction of new medium-pressure pipelines.

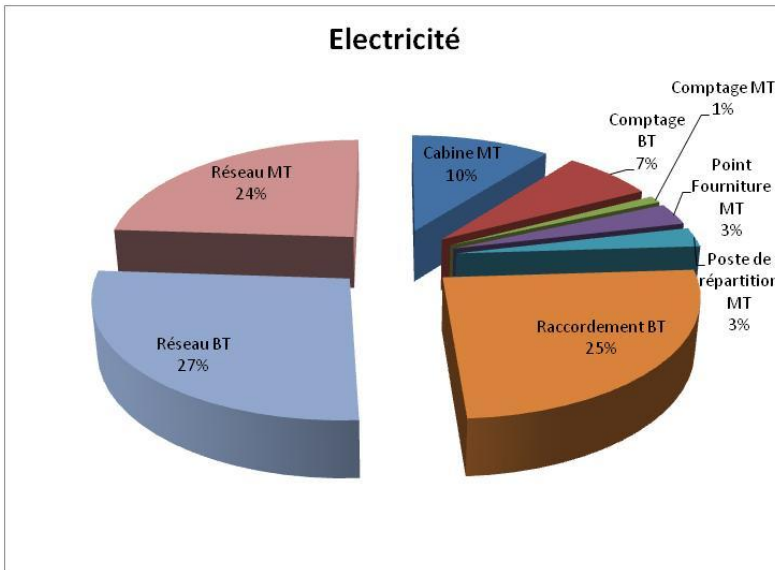
The Issuer's total gross investments (without customer support) in gas amounts to about €26 million on average per annum for the period 2013-2016.

The table below shows the division of those investments per activity group.²⁵



²⁵ MP = Medium Pressure; BP = Low Pressure.
 'Réseau' = Network
 'Comptage' = Metering
 'Raccordement' = Connections

The total gross investments (without customer support) in electricity amounts to about €44 million on average per annum for the period 2013-2016. The table below shows the distribution of those investments per activity group²⁶.



In addition to the investments for maintaining, extending and strengthening the grid, as described above, the Issuer might have to deal with the implementation of smart meters and smart networks, for which the conditions for achievement and its importance have been mentioned above. It should be noted that pursuant to the Tariff Decrees all investments in the grid should be covered by the distribution grid fees. Although, it is impossible to predict precisely how the tariff methodology will be determined in the future (i.e. after the tariff freeze and thus most likely from 2015 onwards), it should be emphasised that in accordance with the Third Energy Package the regulator should ensure that the distribution tariffs are always cost-reflective, taking into account the long-term, marginal, network costs from investments in the grid provided these are economically and efficiently incurred.

²⁶ MT = Medium tension; BT = Low tension.

USE OF PROCEEDS

The Issuer intends to use the net proceeds of the issue of the Bonds, expected to amount to approximately EUR 99.447.000, to (i) finance its ongoing operations, (ii) finance a reduction in the amount of its variable share capital in an amount of approximately EUR 60.000.000, (iii) refinance payments made by the Issuer in an amount of EUR 29,746,990 (excluding VAT) in respect of the settlement with Distrigaz (in which respect please refer to the paragraph "*Material developments since 31 December 2011 - Settlement with Distrigaz*").

The amount of the issued and outstanding share capital (including both the fixed share capital and the variable share capital) of the Issuer will decrease from EUR 554,798,977.08 (as at 15 May 2013) to EUR 524,798,977.08 as a consequence of the capital reduction referred to above.

The expenses in connection with the admission to trading of the Bonds are expected to amount to EUR 6,000.

TAXATION

The following summaries do not purport to be a comprehensive description of all tax considerations that could be relevant for Bondholders. These summaries are intended as general information only and each prospective Bondholder should consult a professional tax adviser with respect to the tax consequences of an investment in the Bonds. These summaries are based on tax legislation and published case law in force as of the date of this document. They do not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Belgium

This section provides a general description of the main Belgian tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Bonds. This summary provides general information only and is restricted to the matters of Belgian taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Belgian tax issues and consequences associated with or resulting from any of the above-mentioned transactions. Prospective acquirers are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Bonds.

Belgian Withholding Tax

Under current Belgian withholding tax legislation, all interest payments in respect of the Bonds (which include any amount paid in excess of the initial issue price upon the redemption of the Bonds by the Issuer as well as the pro rata of accrued interest corresponding to the detention period in case of a sale of the Bonds between two interest payment dates) will be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 25%. Tax treaties may provide for a lower rate subject to certain conditions.

However, under Belgian domestic law, payments of interest on the Bonds by or on behalf of the Issuer may be made without deduction of withholding tax for Bonds held by Tax Eligible Investors (as defined below) in an exempt account (an "**X-Account**") with the Clearing System, as defined and organised by the Act of 6 August 1993, as amended, and its implementing decrees or with a participant in the Clearing System.

Tax Eligible Investors (Tax Eligible Investors) include inter alia:

- (a) Belgian resident companies subject to corporate income tax;
- (b) semi-public governmental social security institutions or institutions similar thereto;
- (c) corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or not; and
- (d) individual investors who are non-residents of Belgium and who have not allocated the Bonds to a professional activity in Belgium.

Tax Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or Belgian non-profit organisations, other than those referred to under (b) above.

The above categories only summarise the detailed definitions contained in Article 4 of the Royal Decree of 26 May 1994, as amended, to which investors should refer for a precise description of the relevant eligibility rules.

Participants to the X/N System must keep the Bonds which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (an "**N-Account**"). In such instance all payments of interest are subject to the 25% withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Bonds between an X-Account and an N-Account give rise to certain adjustment payments on account of withholding tax:

- (a) a transfer from an N-Account (to an X-Account or N-Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- (b) a transfer (from an X-Account or N-Account) to an N-Account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- (c) transfers of Bonds between two X-Accounts do not give rise to any adjustment on account of withholding tax.

Upon opening an X-Account with the Clearing System or a participant therein, a Tax Eligible Investor is required to provide a statement of its tax eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing declaration requirements for Tax Eligible Investors save that they need to inform the Clearing System participants of any change of the information contained in the statement of their tax eligible status. However, Clearing System participants are required to provide the NBB annually with listings of investors who have held an X-Account during the preceding calendar year.

These identification requirements do not apply to Bonds held by Tax Eligible Investors through Euroclear or Clearstream Luxembourg or their sub-participants outside of Belgium, provided that these institutions or sub-participants only hold X-Accounts and are able to identify the accountholder.

Income Tax

(a) ***Belgian Resident Individuals***

For natural persons who are Belgian residents for tax purposes, i.e. who are subject to the Belgian personal income tax ("impôt des personnes physiques" / "personenbelasting") and who hold the Bonds as a private investment, payment of the 25% withholding tax fully discharges them from their personal income tax liability with respect to these interest payments (*précompte mobilier libératoire / bevrijdende roerende voorheffing*). This means that they do not have to declare the interest obtained on the Bonds in their personal income tax return, provided withholding tax was levied on these interest payments.

Belgian resident individuals may nevertheless elect to declare interest in respect of the Bonds in their personal income tax return. Where the beneficiary opts to declare them, interest payments will normally be taxed at a flat rate of 25% (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payment is declared, the withholding tax retained may be credited.

Capital gains realised on the disposal of the Bonds are in principle tax exempt, except if the capital gains are realised outside the scope of the management of one's private estate or except to the extent they qualify as interest (as defined in the paragraph *Belgian Withholding Tax* above). Capital losses realised upon the disposal of the Bonds held as a non-professional investment are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Bonds as a private investment.

(b) ***Belgian Resident Corporations***

Bondholders who are Belgian resident corporations, subject to Belgian corporate income tax, are liable to corporate income tax on the income of the Bonds and capital gains realised upon the disposal of the Bonds. Capital losses realised upon the disposal of the Bonds will normally be tax deductible.

(c) ***Organisations for Financing Pensions ("OFP")***

Interest derived by OFP Bondholders on the Bonds and capital gains realised on the Bonds will be exempt from Belgian corporate income tax. Subject to certain conditions, any Belgian withholding tax levied on the interest will be fully creditable against any corporate income tax due and any excess amount will in principle be refundable.

(d) ***Other Belgian Resident Legal Entities***

Belgian resident legal entities subject to the Belgian legal entities tax ("*rechtspersonenbelasting*" / "*impôt des personnes morales*") who are holding the Bonds in an N-Account will be subject to a withholding tax of currently 25% on interest payments. They do not have to declare the interest obtained on the Bonds.

Belgian resident legal entities that qualify as Tax Eligible Investors and therefore are eligible to hold their Bonds in an X-Account must declare the interest and pay the 25% withholding tax to the Belgian Treasury, as no withholding tax will be levied on the payment of interest due to the fact that the Belgian legal entities hold the Bonds through an X-Account with the Clearing System.

Belgian legal entities are not liable to income tax on capital gains realised upon the disposal of the Bonds (unless and to the extent that the capital gains qualify as interest as defined above in the paragraph *Belgian Withholding Tax*).

(e) ***Non-Residents of Belgium***

Non-residents who use the Bonds to exercise a professional activity in Belgium through a permanent establishment are in principle subject to the same tax rules as the Belgian resident companies (see above).

Bondholders who are non-residents of Belgium for Belgian tax purposes and are not holding the Bonds through a Belgian establishment and do not invest the Bonds in the course of their Belgian professional activity will in principle not incur or become liable for any Belgian tax on income or capital gains (save as the case may be, in the form of withholding tax) by reason only of the acquisition, ownership or disposal of the Bonds. However, such non-residents may be liable to Belgian income tax on capital gains realised on the Bonds (other than capital gains qualifying as interest as defined above in the paragraph *Belgian Withholding Tax*) if the following three conditions are cumulatively met: (i) the capital gain would have been taxable if the investor were a Belgian tax resident (ii) the capital gain is realised upon a transfer of the Bonds to a Belgian resident individual, a Belgian resident company or entity, a Belgian public authority or a Belgian establishment and (iii) the capital gain is taxable in Belgium pursuant to the applicable double tax treaty, or, if no such tax treaty applies, the investor does not demonstrate that the capital gain is effectively taxed in his State of residence.

Transfer tax

No transfer tax (*taks op de beursverrichtingen / taxe sur les opérations de bourse*) will be due on the issuance of the Bonds.

Any transfer for consideration of the Bonds on the secondary market entered into or settled in Belgium through a financial intermediary will trigger a transfer tax of 0.09% with a maximum of EUR 650 per party and per transaction. The tax will be due on each sale and acquisition separately (i.e., both by the seller and the purchaser) and will be collected by the financial intermediary.

An exemption is available for non-residents acting for their own account (subject to delivery of an affidavit confirming their non-resident status), and for certain professional intermediaries, insurance companies, pension funds and undertakings for collective investment, acting for their own account.

EU Savings Directive

The EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a paying agent located within its jurisdiction to, or for the benefit of, an individual or residual entity resident in that other Member State (the "**Disclosure of Information Method**"), except that Austria and Luxembourg may instead impose a withholding system (the "**Source Tax**") for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise.

Individuals not resident in Belgium

Interest paid or collected through Belgium on the Bonds and falling under the scope of application of the Savings Directive will be subject to the Disclosure of Information Method.

Individuals resident in Belgium

An individual resident in Belgium will be subject to the provisions of the Savings Directive, if he receives interest payments from a paying agent (within the meaning of the Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Sint Maarten, Sint Eustatius (formerly the Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to a Source Tax, such Source Tax does not liberate the Belgian individual from declaring the interest income in its personal income tax declaration. The Source Tax will be credited against the personal income tax. If the Source Tax withheld exceeds the personal income tax due, the excess amount will be reimbursed, provided it reaches a minimum of Euro 2.5.

SUBSCRIPTION AND SALE

BNP Paribas, London Branch may agree, pursuant to a Subscription Agreement relating to the Bonds expected to be entered into on or about 16 May 2013 with the Issuer, subject to the satisfaction of certain conditions, to subscribe, or procure subscribers, and pay for the Bonds at the issue price and the other conditions as set out in the Subscription Agreement. The aggregate amount payable for the Bonds calculated at the issue price less any due fee will be paid by the Lead Manager to the Issuer in the manner as set out in the Subscription Agreement. Fees and costs in connection with the issue of the Bonds to be paid and/or reimbursed by the Issuer to the Lead Manager have been agreed in a separate agreement between the Issuer and the Lead Manager. The Subscription Agreement will entitle the Lead Manager to terminate its obligations in certain circumstances prior to payment being made to the Issuer.

The Lead Manager may in the future render banking and commercial services to the Issuer, for which it could receive fees and commissions.

General

Neither the Issuer nor the Lead Manager has made any representation that any action will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Prospectus or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations) in any country or jurisdiction where action for that purpose is required. The Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus or any such other offering or publicity material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell any Bonds within the United States; except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

1. Application has been made for the Bonds to be admitted to trading on NYSE Euronext Brussels as from the Issue Date.
2. The issue date of the Bonds is 23 May 2023.
3. The gross yield of the Bonds is 3.23 % on an annual basis. The yield is calculated as at 15 May 2013 on the basis of the issue price. It is not an indication of any future yield.
4. The Issuer has obtained all necessary consents, approvals and authorisations in Belgium in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on 19 November 2012.
5. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.
6. Save as disclosed in paragraph *Risks related to the challenge of the validity of the previous tariff decisions* on page 9 and *"Risks of litigation"* on page 17, neither the Issuer nor any subsidiary of the Issuer is, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer.
7. The Bonds have been accepted for clearance through the clearing system of the National Bank of Belgium with a Common Code of 093576268. The International Securities Identification Number (ISIN) for the Bonds is BE0002199652. The address of the National Bank of Belgium is 14 Boulevard de Berlaimont, 1000 Brussels, Belgium.
8. Save as referred to in paragraph *"The Issuer's financing policy –indebtedness"* on page 68, there are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds.
9. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
10. The Lead Manager may engage in investment banking and other commercial dealings in the ordinary course of business with the Issuer; and may receive customary fees and commissions for these transactions; the Lead Manager may make or hold (a broad array of investments and actively trade debt securities (or related derivative securities) and financial instruments (including bank loans) of the Issuer for its own account and for the accounts of its customers; the Lead Manager may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments). As at the date of this Prospectus, the Lead Manager is not a lender to the Issuer, nor is it an arranger, dealer or manager in respect of any debt securities of the Issuer (other than the Bonds subject of this Prospectus).
11. The Issuer is not rated and the Bonds are not intended to be rated.
12. During the life of the securities, copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:
 - (i) the articles of association (*statuts / statuten*) of the Issuer in French and in Dutch;

- (ii) the audited financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011;
 - (iii) the unaudited financial statements of the Issuer for the financial half years ended 30 June 2012; and
 - (iv) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus.
13. This Prospectus will be published on the website of NYSE Euronext Brussels (www.euronext.com).
14. The auditors of the Issuer, being of Alain Serckx SCPRL / BBVBA, having its registered office at Rue Ernest Salu 91, 1020 Brussels, represented by Alain Serckx, and Maillard Fernand et Co SCPRL / BBVBA, having its registered office at Avenue de Nivelles 107, 1300 Limal, represented by Fernand Maillard, each a member of the "*Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren*" have audited, in their capacity as statutory auditors of the Issuer, and rendered unqualified audit reports on, the financial statements of the Issuer for the years ended 31 December 2010 and 31 December 2011. An explanatory paragraph was added to the audit report for the financial year ending 31 December 2011.

ANNEX 1 - FINANCIAL STATEMENTS OF THE ISSUER AND AUDITORS' REPORTS

This annex includes:

1. the audited annual financial statements of the Issuer for the financial year ended 31 December 2011, drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium, together with the audit report thereon;
2. notes to the statement of assets and the statement of equity and liabilities of the Issuer for the financial year ended 31 December 2011;
3. the audited annual financial statements of the Issuer for the financial year ended 31 December 2010, drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium, together with the audit report thereon;
4. the unaudited financial statements of the Issuer for the financial half year ended 30 June 2012 (with comparison against 31 December 2011 for balance sheet items and against 30 June 2011 for income statement items), drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium;
5. a list explaining some of the terms used in the financial information set out in this Annex.

Audited annual financial statements of the Issuer for the financial year ended 31 December 2011, drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium, together with the audit report thereon.

24	27/06/2012	BE 0222.869.673	52	EUR		
NAT.	Date deposited	No.	P.	D.	12234.00182	VOL 1.1

ANNUAL ACCOUNTS IN EUROS

Name: **SIBELGA**
 Legal Form: Cooperative limited liability company
 Address: Quai des Usines No.: 16 Box:
 Postal Code: 1000 Town: Brussels
 Country: Belgium
 Register of Legal Persons (RLP) – Office of the Commercial Court Brussels
 Website:

Company Register number BE 0222.869.673

Date of the deposition of the partnership deed OR of the most recent document mentioning the date of 20-09-2010
 Publication of the partnership deed and the act changing the articles of association

Annual accounts approved by the General Meeting of 18.06.2012

concerning the financial year covering the period from 01 -01- 2011 to 31-12-2011

Previous period from 01 -01- 2010 to 31-12-2010

The amounts of the previous fiscal year are identical to those which have been previously published.

Enclosed to these annual accounts: Directors' report, auditors' report

Number of the pages of the standard form not deposited for not being of service:

C 1.2, C 5.1, C 5.2.1, C 5.2.2, C 5.2.3, C 5.3.4, C 5.3.6, C 5.5.2, C 5.16, C 5.17.2, C 6

COMPLETE LIST with name, , first name, profession, residence-address (address, number, postal code and municipality) and position with the enterprise, of DIRECTORS, MANAGERS and AUDITORS

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BALANCE SHEET

		Code	Period	Previous period
ASSETS				
FIXED ASSETS		20/28	<u>1,095,603,560</u>	<u>1,068,169,351</u>
Formation expenses	5.1	20		
Intangible fixed assets	5.2	21		
Tangible fixed assets	5.3	22/27	1,091,405,537	1,063,975,978
Land and buildings		22	54,006,278	50,018,722
Plant, machinery and equipment		23	1,017,473,038	993,428,086
Furniture and vehicles		24	19,656,799	20,260,627
Leasing and other similar rights		25		
Other tangible fixed assets		26	269,422	268,543
Assets under construction and advanced payments		27		
Financial fixed assets	5.4/5.5.1	28	4,198,023	4,193,373
Affiliated enterprises	5.14	280/1	4,192,460	4,192,460
Participating interests		280	4,192,460	4,192,460
Amounts receivable		281		
Other enterprises linked by participating interests	5.14	282/3	4,650	
Participating interests		282	4,650	
Amounts receivable		283		
Other financial assets		284/8	913	913
Shares		284	288	288
Amounts receivable and cash guarantees		285/8	625	625
CURRENT ASSETS		29/58	<u>289,284,621</u>	<u>284,444,577</u>
Amounts receivable after more than one year		29		
Trade debtors		290		
Other amounts receivable		291		
Stock and work in progress		3	9,834,886	9,975,650
Stocks		30/36	7,272,685	7,110,750
Raw materials and consumables		30/31	7,272,685	7,110,750
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34		
Immovable property intended for sale		35		
Advanced payments		36		
Contracts in progress		37	2,562,201	2,864,900
Amounts receivable within one year		40/41	107,019,733	105,005,803
Trade debtors		40	95,491,901	95,946,505
Other amounts receivable		41	11,527,832	9,059,298
Cash investments	5.5.1/5.6	50/53	31,530,643	21,340,566
Own shares		50		
Other investments and deposits		51/53	31,530,643	21,340,566
Cash at bank and in hand		54/58	6,053,752	3,689,756
Deferred charges and accrued income	5.6	490/1	134,845,607	158,432,801
TOTAL ASSETS		20/58	1,384,888,181	1,366,613,928

	Note.	Code	Period	Previous Period
EQUITY AND LIABILITIES				
EQUITY		10/15	<u>912,046,256</u>	<u>912,046,256</u>
Capital	5.7	10	<u>554,798,977</u>	<u>554,798,977</u>
Issued capital		100	554,798,977	554,798,977
Uncalled capital		101		
Share premium account		11	10,112,499	10,112,499
Revaluation surpluses		12	250,428,361	255,645,619
Reserves		13	96,706,419	91,489,161
Legal reserves		130	201,477	201,477
Reserves not available		131	96,504,941	91,287,684
In respect of own shares held		1310		
Other		1311	96,504,941	91,287,684
Untaxed reserves		132		
Available reserves		133		
Accumulated profits (losses)	(+)/(-)	14		
Investment grants		15		
Advances to associates on the sharing out of the assets		19		
PROVISIONS AND DEFERRED TAX		16	<u>122,223,135</u>	<u>113,754,618</u>
Provisions for liabilities and charges		160/5	122,223,135	113,754,618
Pensions and similar obligations		160		
Taxation		161		
Major repairs and maintenance		162		
Other liabilities and charges	5.8	163/5	122,223,135	113,754,618
Deferred tax		168		
AMOUNTS PAYABLE		17/49	<u>350,618,790</u>	<u>340,813,055</u>
Amounts payable after more than one year	5.9	17	115,100,395	129,534,301
Financial debts		170/4	16,036,336	18,501,811
Subordinated loans		170		
Unsubordinated debentures		171		
Leasing and other similar obligations		172		
Credit institutions		173	16,036,336	18,501,811
Other loans		174		
Trade debts		175		
Suppliers		1750		
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9	99,064,059	111,032,489
Amounts payable within one year		42/48	185,543,071	181,003,838
Current portion of amounts payable after more than one year falling due within one year	5.9	42	17,640,262	21,546,613
Financial debts		43		
Credit institutions		430/8		
Other loans		439		
Trade debts		44	80,165,064	76,647,177
Suppliers		440/4	80,165,064	76,647,177
Bills payable		441		
Advances received on contracts in progress		46	1,960,347	1,712,064
Tax, remuneration and social security	5.9	45	160,050	565,888
Tax		450/3	160,050	565,888
Remuneration and social security		454/9		
Other amounts payable		47/48	85,617,348	80,532,095
Accrued charges and deferred income	5.9	492/3	49,975,323	30,274,917
TOTAL EQUITY AND LIABILITIES		10/49	1,384,888,181	1,366,613,928

INCOME STATEMENT

	Note.	Code	Period	Previous Period
Operating income		70/74	361,922,339	382,371,254
Turnover	5.10	70	312,871,401	313,428,609
Increase (decrease) in stocks of finished goods, work and contracts in progress (+)/(-)		71	-302,699	714,592
Own construction capitalised		72		
Other operating income	5.10	74	49,353,637	68,228,053
Operating charges		60/64	294,962,036	309,654,911
Raw materials, consumables		60	30,321,611	33,232,623
Purchases		600/8	30,623,434	33,569,160
Decrease (increase) in stocks (+)/(-)		609	-301,823	-336,536
Services and other goods		61	193,792,520	208,012,172
Remuneration, social security costs and pensions (+)/(-)	5.10	62	22,463	21,966
Depreciation of and amounts written off on formation expenses, intangible, and tangible fixed assets		630	41,053,007	39,825,380
Amounts written off on stocks, contracts in progress and trade debtors: appropriations (write-backs) (+)/(-)		631/4	139,887	146,166
Provisions for risks and charges: appropriations (uses and write-backs) (+)/(-)	5.10	635/7	14,336,540	18,153,942
Other operating charges	5.10	640/8	15,296,007	10,262,632
Operating charges carried to assets as restructuring costs (-)		649		
Operating profit (loss) (+)/(-)		9901	66,960,303	72,716,343
Financial revenue		75	485,446	194,988
Income from financial fixed assets		750	7,657	6,989
Income from current assets		751	23,553	36,904
Other financial income	5.11	752/9	454,235	151,095
Financial charges	5.11	65	5,019,841	4,326,026
Debt charges		650	5,004,159	4,319,851
Amounts written down on current assets except stocks, contracts in progress and trade debtors		651		.....
Other financial charges		652/9	15,682	6,175
Gain (loss) on ordinary activities before taxes		9902	62,425,908	68,585,305
Extraordinary income		76	2,945,116	2,321,597
Write-back of depreciation and of amounts written down intangible and tangible fixed assets		760		.....
Write-back of amounts written down financial fixed assets		761		.....
Write-back of provisions for extraordinary liabilities and charges		762	305,959	617,831
Gains on disposal of fixed assets		763		.....
Other extraordinary income	5.11	764/9	2,639,157	1,703,766
Extraordinary charges		66	-2,310,868	8,895,463
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		660		.....
Amounts written down financial fixed assets		661		.....
Provision for extraordinary liabilities and charges: appropriations (uses) (+)/(-)		662	-5,562,063	5,262,292
Other extraordinary costs	5.11	664/8	3,251,195	3,633,171
Extraordinary costs carried to assets as restructuring costs (+)/(-)		669		
Profit (loss) for the period before tax (+)/(-)		9903	67,681,892	62,011,439
Transfer from postponed tax		780		
Transfers to postponed tax		680		
Income taxes (+)/(-)		67/77	1,082,543	4,069,541
Income taxes		670/3	1,082,543	4,069,541
Adjustment of income tax and write-backs of tax provisions		77		10
Profit (loss) on period (+)/(-)	- 97	9904	66,599,350	57,941,898

Transfers from untaxed reserves	789		
Transfers to untaxed reserves	689		
Profit (loss) on period available for appropriation (+)/(-)	9905	66,599,350	57,941,898

APPROPRIATION ACCOUNT

	Note	Code	Period	Previous Period
Profit (loss) to be appropriated		9906	66,599,350	57,941,898
Gain (loss) to be appropriated	(+)/(-)	9905	66,599,350	57,941,898
Profit (loss) to be carried forward	(+)/(-)	14P		
Transfers from capital and reserves		791/2		116,561,214
From capital and share premium account		791		
From reserves		792		116,561,214
Transfers to capital and reserves		691/2		
To capital and share premium account		691		
To legal reserves		6920		
To other reserves		6921		
Profit (loss) to be carried forward	(+)/(-)	14		
Owner's contribution in respect of losses		794		
Profits to be distributed		694/6	66,599,350	174,503,111
Dividends		694	66,599,350	174,503,111
Director's or manager's entitlements		695		
Other beneficiaries		696		

STATEMENT OF TANGIBLE ASSETS

	Code	Period	Previous Period
LAND AND BUILDING			
Acquisition value at the end of the period	8191P	xxxxxxxxxxxx	72,801,051
Movements during the period ..... (+)/(-)		.....
Acquisitions, including produced fixed assets	8161	5,682,992	
Sales and disposals	8171	277,914	
Transfers from one heading to another	8181		
Acquisition value at the end of the period	8191	78,206,129	
Revaluation surpluses at the end of the period	8251P	xxxxxxxxxxxx	1,243,713
Movements during the period		.....
Recorded	8211		
Acquisitions from third parties	8221		
Cancelled	8231	25,382	
Transferred from one heading to another (+)/(-)	8241		
Revaluation surpluses at the end of the period	8251	1,218,331	
Depreciation and amounts written down at the end of the period	8321P	xxxxxxxxxxxx	24,026,041
Movements during the period		.....
Recorded	8271	1,403,204	
Written back	8281		
Acquisitions from third parties	8291		
Cancelled owing to sales and disposals	8301	11,063	
Transferred from one heading to another (+)/(-)	8311		
Depreciation and amounts written down at the end of the period	8321	25,418,182	
NET BOOK VALUE AT THE END OF THE PERIOD	22	54,006,278	

	Code	Period	Previous Period
PLANT, MACHINERY AND EQUIPMENT			
Acquisition value at the end of the period	8192P	XXXXXXXXXXXX	1,277,704,503
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets.....	8162	72,044,073	
Sales and disposals	8172	12,275,430	
Transfers from one heading to another	8182	.....
Acquisition value at the end of the period	8192	1,337,473,146	
Revaluation surpluses at the end of the period	8252P	XXXXXXXXXXXX	254,507,727
Movements during the period			
Recorded	8212		
Acquisitions from third parties	8222		
Cancelled	8232	5,194,035	
Transferred from one heading to another (+)/(-)	8242		
Revaluation surpluses at the end of the period	8252	249,313,391	
Depreciation and amounts written down at the end of the period	8322P	XXXXXXXXXXXX	538,784,143
Movements during the period			
Recorded	8272	33,400,770	
Written back	8282	.....
Acquisitions from third parties	8292	6,970,773	
Cancelled owing to sales and disposals	8302	9,841,887	
Transferred from one heading to another (+)/(-)	8312	.....
Depreciation and amounts written down at the end of the period	8322	569,313,799	
NET BOOK VALUE AT THE END OF THE PERIOD	23	1,017,473,038	

	Code	Period	Previous Period
FURNITURE AND VEHICLES			
Acquisition value at the end of the period	8193P	xxxxxxxxxxxxx	53,803,597
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets.....	8163	5,590,770	
Sales and disposals	8173	9,822,910	
Transfers from one heading to another	8183		
Acquisition value at the end of the period	8193	49,571,457	
Revaluation surpluses at the end of the period	8253	xxxxxxxxxxxxx	
Movements during the period			
Recorded	8213	2,160	
Acquisitions from third parties	8223		
Cancelled	8233		
Transferred from one heading to another (+)/(-)	8243		
Revaluation surpluses at the end of the period	8253	2,160	
Depreciation and amounts written down at the end of the period	8323P	xxxxxxxxxxxxx	33,542,970
Movements during the period			
Recorded	8273	6,131,040	
Written back	8283		
Acquisitions from third parties	8293		
Cancelled owing to sales and disposals	8303	9,757,192	
Transferred from one heading to another (+)/(-)	8313		
Depreciation and amounts written down at the end of the period	8323	29,916,818	
NET BOOK VALUE AT THE END OF THE PERIOD	24	19,656,799	

	Code	Period	Previous Period
OTHER TANGIBLE FIXED ASSETS			
Acquisition value at the end of the period	8195P	xxxxxxxxxxxxx	878,285
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets	8165	147,019	
Sales and disposals	8175	435,337	
Transfers from one heading to another..... (+)/(-)	8185		
Acquisition value at the end of the period	8195	589,968	
Revaluation surpluses at the end of the period	8255P	xxxxxxxxxxxxx	
Movements during the period			
Recorded	8215		
Acquisitions from third parties	8225		
Cancelled	8235		
Transferred from one heading to another (+)/(-)	8245		
Revaluation surpluses at the end of the period	8255		
Depreciation and amounts written down at the end of the period	8325P	xxxxxxxxxxxxx	609,742
Movements during the period			
Recorded	8275	117,994	
Written back	8285		
Acquisitions from third parties	8295		
Cancelled owing to sales and disposals	8305	407,190	
Transferred from one heading to another (+)/(-)	8315		
Depreciation and amounts written down at the end of the period	8325	320,545	
NET BOOK VALUE AT THE END OF THE PERIOD	26	269,422	

STATEMENT OF FINANCIAL FIXED ASSETS

	Code	Period	Previous Period
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8391P	XXXXXXXXXXXX	4,195,428
Movements during the period			
Acquisitions, including produced fixed assets	8361	.....
Sales and disposals	8371	.....
Transfers from one heading to another..... (+)/(-)	8381	.....
Acquisition value at the end of the period	8391	4,195,428	
Revaluation surpluses at the end of the period	8451P	XXXXXXXXXXXX	
Movements during the period			
Recorded	8411	.....
Acquisitions from third parties	8421	.....
Cancelled	8431	.....
Transferred from one heading to another (+)/(-)	8441	.....
Revaluation surpluses at the end of the period	8451	.....
Amounts written down at the end of the period	8521P	XXXXXXXXXXXX	
Movements this year			
Recorded	8471	.....
Written back	8481	.....
Acquisitions from third parties	8491	.....
Cancelled owing to sales and disposals	8501	.....
Transferred from one heading to another (+)/(-)	8511	.....
Amounts written down at the end of the period	8521	.....
Uncalled amounts at the end of the period	8551P	XXXXXXXXXXXX	2,968
Movements during the period (+)/(-)	8541		
Uncalled amounts at the end of the period	8551	2,968	
NET BOOK VALUE AT THE END OF THE PERIOD	280	4,192,460	
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	281P	XXXXXXXXXXXX	
Movements during the period			
Additions	8581	.....
Repayments	8591	.....
Amounts written down	8601	.....
Amounts written back	8611	.....
Exchange differences (+)/(-)	8621	.....
Other..... (+)/(-)	8631	.....
NET BOOK VALUE AT THE END OF THE PERIOD	281		
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8651		

	Code	Period	Previous Period
OTHER ENTERPRISES – PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8393P	XXXXXXXXXXXXX	288
Movements during the period		.....
Acquisitions, including produced fixed assets	8363		
Sales and disposals	8373		
Transfers from one heading to another..... (+)/(-)	8383		
Acquisition value at the end of the period	8393	288	
Revaluation surpluses at the end of the period	8432P	XXXXXXXXXXXXX	
Movements during the period			
Recorded	8413		
Acquisitions from third parties	8423		
Cancelled	8433		
Transferred from one heading to another (+)/(-)	8443		
Revaluation surpluses at the end of the period	8453		
Amounts written down at the end of the period	8523P	XXXXXXXXXXXXX	
Movements this year			
Recorded	8473		
Written back	8483		
Acquisitions from third parties	8493		
Cancelled owing to sales and disposals	8503		
Transferred from one heading to another (+)/(-)	8513		
Amounts written down at the end of the period	8523		
Uncalled amounts at the end of the period	8553P	XXXXXXXXXXXXX	
Movements during the period (+)/(-)	8543		
Uncalled amounts at the end of the period	8553		
NET BOOK VALUE AT THE END OF THE PERIOD	284	288	
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	285/P	XXXXXXXXXXXXX	625
Movements during the period			
Additions	8583		
Repayments	8593		
Amounts written down	8603		
Amounts written back	8613		
Exchange differences (+)/(-)	8623		
Other..... (+)/(-)	8633		
NET BOOK VALUE AT THE END OF THE PERIOD	285/8	625	
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8653		

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HOLDINGS

HOLDINGS AND OTHER INTERESTS IN OTHER COMPANIES

List of both enterprises in which the enterprise holds a participating interest (recorded in the headings 280 and 282 of assets), and other enterprises in which the enterprise holds rights (recorded in the headings 284 and 51.53 of assets) in the amount of at least 10% of the capital issued

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	Directly		Subsidiaries	Primary financial statement	Currency	Capital and reserves	Net result
	Number	%				(+ or -) (in currency)	
SIBELGA OPERATIONS BE 0870.681.304 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Variable	752	99		31.12.2011	EUR	16,598	1,841
BRUSSELS NETWORK OPERATIONS BE 0881.278.355 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Fixed	98	98		31.12.2011	EUR	19,568	2,105
METRIX BE 0870.565.793 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Variable	6,336	99		31.12.2011	EUR	162,459	1,867
ATRIAS BE 0836.258.873 Cooperative limited liability company Galerie Ravenstein 4/2 1000 Brussels BELGIUM Variable	93	25		31.12.2011	EUR	18,600	

OTHER INVESTMENTS AND DEPOSIT, DEFERRED CHARGES AND ACCRUED INCOME (ASSETS)

INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS

Shares

Book value increased by uncalled amount

Uncalled amount

Fixed income securities

Fixed income securities issued by credit institutions

Fixed term deposit with credit institutions

Falling due

Less or up to one month

Between one month and one year

Over one year

Other investments not yet shown separately

Code	Period	Previous Period
51		
8681		
8682		
52	5,450,000	5,373,535
8684	5,450,000	5,373,535
53		
8686		
8687		
8688		
8689	26,080,643	15,967,031

DEFERRED CHARGES AND ACCRUED INCOME

Allocation of heading 490/1 of assets if the amount is significant

Management costs of liquidated pension capital

Management costs of liquidated interest capitalised

CREG bonus/penalty

Energy in meters

Period
111,032,489
10,583,941
11,431,943
1,488,101

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

STATEMENT OF CAPITAL

Social capital

Issued capital at the end of the period
 Issued capital at the end of the period

Code	Period	Previous Period
100P	xxxxxxxxxxxxxx	554,798,977
100	554,798,977	

Changes during the period
 Amounts written down on class A shares
 New rights issue (class E shares)

Structure of capital
 Different categories of shares
 Class A shares
 Class E shares

Registered shares
 Bearer shares and/or dematerialized shares

Code	Amounts	Number of shares
	258,237,177	16,425,734
	296,561,800	2,965,618
8702	xxxxxxxxxxxxxx	19,391,352
8703	xxxxxxxxxxxxxx	

Capital not paid up

Uncalled capital
 Capital called but not paid
 Shareholders having yet to pay up in full

Code	Uncalled capital	Capital called but not paid
101		xxxxxxxxxxxxxx
8712	xxxxxxxxxxxxxx	

Own shares

Held by company itself
 Amount of the capital held
 Number of shares held
 Held by subsidiaries
 Amount of the capital held
 Number of shares held

Commitments to issue shares

Following the exercising of conversion rights
 Amount outstanding convertible loans
 Amount of the capital to be subscribed
 Corresponding maximum number of shares to be issued
 Following the exercising of subscription rights
 Number of outstanding subscription rights
 Amount of capital to be subscribed
 Corresponding maximum number of shares to be issued

Authorized capital, not issued

Code	Period
8721	
8722	
8731	
8732	
8740	
8741	
8742	
8745	
8746	
8747	
8751	

Shares issued, not representing capital

Distribution
 Number of shares
 Number of voting rights attached thereto
 Allocation by shareholder
 Number of shares held by the company itself
 Number of shares held by its subsidiaries

Code	Period
8761	
8762	
8771	
8781	

SHAREHOLDER STRUCTURE OF THE COMPANY AT THE YEAR END AS IT APPEARS FROM THE NOTICES THE COMPANY HAS RECEIVED

PROVISION FOR OTHER RISKS AND CHARGES

ALLOCATION OF THE HEADING 163/5 OF LIABILITIES IF THE AMOUNT IS CONSIDERABLE

	Period
Prov. reconciliation 2004-2006	29,893,333
Prov. for bad debts and recovery	31,494,020
Provision rest-term	19,066,159
Prov. under recommendation C.C. (gas) 2003/13	5,456,547
Prov. for regulatory risks	26,221,145
Prov. for site cleanup	7,148,337
Prov. for IT dispute	1,371,863

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

	Code	Period
ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE FALLING DUE WITHIN ONE YEAR		
Amounts payable after more than one year falling due within one year		
Financial debts	8801	5,671,832
Subordinated loans	8811	
Unsubordinated debentures	8821	
Leasing and other similar obligations	8831	
Credit institutions	8841	5,671,832
Other loans	8851	
Trade debts	8861	
Suppliers	8871	
Bills of exchange payable	8881	
Advance payments received on work in progress	8891	
Other amounts payable	8901	11,968,430
Amounts payable after more than one year, not more than one year	42	17,640,262
Amounts payable after more than one year, between one and five years		
Financial debts	8802	10,853,632
Subordinated loans	8812	
Unsubordinated debentures	8822	
Leasing and other similar obligations	8832	
Credit institutions	8842	10,853,632
Other loans	8852	
Trade debts	8862	
Suppliers	8872	
Bills of exchange payable	8882	
Advance payments received on work in progress	8892	
Other amounts payable	8902	43,702,327
Amounts payable after more than one year, between one and five years	8912	54,555,959
Amounts payable after more than one year, over five years		
Financial debts	8803	5,182,704
Subordinated loans	8813	
Unsubordinated debentures	8823	
Leasing and other similar obligations	8833	
Credit institutions	8843	5,182,704
Other loans	8853	
Trade debts	8863	
Suppliers	8873	
Bills of exchange payable	8883	
Advance payments received on work in progress	8893	
Other amounts payable	8903	55,361,732
Amounts payable after more than one year, over five years	8913	60,544,436

	Code	Period
AMOUNTS PAYABLE GUARANTEED		
Amounts payable guaranteed by Belgian public authorities		
Financial debts	8921	
Subordinated loans	8931	
Unsubordinated debentures	8941	
Leasing and other similar obligations	8951	
Credit institutions	8961	
Other loans	8971	
Trade debts	8981	
Suppliers	8991	
Bills of exchange payable	9001	
Advance payments received on contracts in progress	9011	
Remuneration and social security	9021	

Other amounts payable
Total amounts payable guaranteed by Belgian authorities
Amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets
 Financial debts
 Subordinated loans
 Unsubordinated debentures
 Leasing and other similar obligations
 Credit institutions
 Other loans
 Trade debts
 Suppliers
 Bills of exchange payable
 Advance payments received on contracts in progress
 Taxes, remuneration and social security
 Taxes
 Remuneration and social security
 Other amounts payable
Total amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets

9051	
9061	
8922	
8932	
8942	
8952	
8962	
8972	
8982	
8992	
9002	
9012	
9022	
9032	
9042	
9052	
9062	

AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY

Tax
 Expired taxes payable
 Non-expired taxes payable
 Estimated taxes payable
Remuneration and social security
 Amount due to the National Office of Social Security
 Other amounts payable relating to remuneration and social security

Code	Period
9072	
9073	1,991
450	158,059
9076	
9077	

ACCRUED CHARGES AND DEFERRED INCOME

Allocation of heading 492.3 of liabilities if amount is considerable
 URE/REG premiums
 CREG bonus/penalty

Period
11,564,473
36,600,771

OPERATING RESULTS

	Code	Period	Previous Period
OPERATING INCOME			
Net turnover			
Broken down by categories of activity			
Allocation into geographical markets			
Other operating income			
Total amount of subsidies and compensatory amounts obtained from public authorities	740		
OPERATING COSTS			
Employees recorded in the personnel register			
Total number at the closing date	9086		
Average number of employees calculated as full-time equivalents	9087		
Number of actual hours worked	9088		
Personnel costs			
Remuneration and direct social benefits	620		
Employers' social security contributions	621		
Employers' premiums for extra statutory insurances	622		
Other personnel costs	623		
Old-age and widow' pensions	624	22,463	21,996
Provisions for pensions			
Additions (uses and write-back) (+).(-)	635		
Amounts written off			
Stocks and work in progress			
Recorded	9110	139,887	146,166
Written back	9111		
Trade debtors			
Recorded	9112		
Written back	9113		
Provisions for risks and costs			
Additions	9115	26,500,364	37,404,596
Uses and write-back	9116	12,163,824	19,250,655
Other operating costs			
Taxes related to operation	640	28,791	25,232
Other costs	641/8	15,267,216	10,237,400
Hired temporary staff and persons placed at the enterprise's disposal			
Total number at the closing date	9096		
Average number calculated in full-time equivalents	9097		
Number of actual worked hours	9098		12
Charges to the enterprise	617		212

FINANCIAL AND EXTRAORDINARY PROFITS

FINANCIAL RESULTS

Other financial results

Amount of subsidies granted by public authorities, credited to income for the period

Capital subsidies

Interest subsidies

Breakdown of other financial profits

Capital gains on investments

Amounts written down off loan issue expenses and repayment premiums

Interests recorded as assets

Value adjustments to current assets

Appropriations

Write-backs

Other financial charges

Amount of the discount borne by the enterprise, as a result of negotiating amounts receivable

Provisions of a financial nature

Appropriations

Used and write-backs

Allocation of other financial charges

Code	Period	Previous period
9125		
9126		
	408,955	139,467
6501		
6503		
6510		
6511		
653		
6560		
6561		

EXTRAORDINARY RESULTS

Allocation other extraordinary income

Involvement in site cleanups

MIG and Smart Metering projects

Allocation other extraordinary charges

Site cleanup

MIG and Smart Metering projects

Transactional settlement between Electrabel end Sibelga

Period
2,633,664
5,493
295,937
1,209,520
1,745,738

INCOME AND OTHER TAXES

INCOME TAX

Income taxes on the result of the current period

Income taxes paid and withholding tax due or paid
 Excess of income tax advance payments and withholding tax recorded under assets
 Estimated additional tax

Income taxes on previous periods

Tax and withholding taxes due or paid
 Estimated additional taxes or provided for

In so far as income taxes of the current period are materially affected by differences between the profit taxes, as stated in the annual accounts, and the estimated taxable profit

Code	Period
9134	1,082,543
9135	924,484
9136	158,059
9137	
9138	0
9139	0
9140	

An indication of the effect of extraordinary results on the amount of income taxes relating to the current period

Sources of deferred tax

Deferred taxes representing assets
 Accumulated tax losses deductible from future taxable profits
 Other deferred tax representing assets

Deferred taxes representing liabilities
 Allocation of deferred taxes representing liabilities

Code	Period
9141	
9142	
9144	

TOTAL AMOUNT OF VALUE ADDED TAX AND TAX BORNE BY THIRD PARTIES

The total amount of value added tax charged

To the enterprise (deductible)
 By the enterprise

Amounts retained on behalf of third parties for

Payroll withholding taxes
 Withholding taxes on investment income

Code	Period	Previous period
9145	70,512,949	64,466,819
9146	113,656,962	103,023,167
9147	42,882	48,922
9148	4,296,365	8,509,058

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

PERSONAL GUARANTEES GIVEN OR IRREVOCABLY PROMISED BY THE ENTERPRISE AS SECURITY FOR DEBTS AND COMMITMENTS OF THIRD PARTIES

Of which

Bills of exchange in circulation endorsed by the enterprise

Bills of exchange in circulation drawn or guaranteed by the enterprise

Maximum amount for which other debts or commitments of third parties guaranteed by the enterprise

REAL GUARANTEES

Real guarantees given or irrevocably promised by the enterprise on its own assets as a security for debts and commitments from third parties

Mortgages

Book value of immovable properties mortgaged

Registration value

Pledging on goodwill – amount of registration

Pledging of other assets – Book value of other assets pledged

Security provided on future assets – Value of assets involved

Real security given or pledged irrevocably by company on its own assets as security for debts and commitments from third parties

Mortgages

Book value of the real properties mortgaged

Registration value

Pledging on goodwill – amount of registration

Pledging of other assets – Book value of other assets pledged

Security provided on future assets – Value of assets involved

GOODS AND VALUES, NOT DISCLOSED IN THE BALANCE SHEET, HELD BY THIRD PARTIES IN THEIR OWN NAME BUT AT RISK TO AND FOR THE BENEFIT OF THE ENTERPRISE

SUBSTANTIAL COMMITMENTS TO ACQUIRE FIXED ASSETS

SUBSTANTIAL COMMITMENTS TO DISPOSE OF FIXED ASSETS

FORWARD TRANSACTIONS

Goods purchased (to be received)

Goods sold (to be delivered)

Currencies purchased (to be received)

Currencies sold (to be delivered)

INFORMATION RELATING TO TECHNICAL GUARANTEES, IN RESPECT OF SALES OR SERVICES

Long-term guarantees given to various municipalities.

Guarantees given by various suppliers.

Guarantee following the agreement between Electrabel and ex-Interga on liquidated pension costs by way of capital in favour of staff formerly engaged in distribution activities in the inter-municipal area.

Customers' deposits on equipment hired.

Leasing guarantees.

Book values adjusted for installations received on a usufruct basis.

Code	Period
9149	
9150	
9151	
9153	
9161	
9171	
9181	
9191	
9201	
9162	
9172	
9182	
9192	
9202	
9213	
9214	
9215	
9216	

INFORMATION CONCERNING IMPORTANT LITIGATION AND OTHER COMMITMENTS NOT MENTIONED ABOVE

FULL DETAILS OF SUPPLEMENTARY RETIREMENT OR SURVIVORS' PENSION ESTABLISHED IN FAVOR OF THE PERSONNEL OR EXECUTIVES OF THE ENTERPRISE AND STEPS TAKEN TO COVER CHARGES

Pension commitments to directors and supervisory board members of former inter-municipal agencies

PENSIONS FUNDED BY COMPANY

Estimated amount of the commitments resulting from past services

Methods of estimation

Code	Period
9220	

NATURE AND BUSINESS PURPOSE OF OFF-BALANCE-SHEET ARRANGEMENTS

Provided the risks or benefits arising from such arrangements are material and where the disclosure of such risks or benefits is necessary for assessing the financial position of the company; if required, the financial impact of these arrangements have to be mentioned too:

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Code	Period	Previous Period
AFFILIATED ENTERPRISES			
Financial fixed assets	280/1	4,192,460	4,192,460
Investments	280	4,192,460	4,192,460
Amounts receivable subordinated	9271		
Other amounts receivable	9281		
Amounts receivable	9291	20,251	140
After one year	9301		
Within one year	9311	20,251	140
Cash investments	9321		
Shares	9331		
Amounts receivable	9341		
Amounts payable	9351	26,670,618	23,128,355
After one year	9361		
Within one year	9371	26,670,618	23,128,355
Personal and real guarantees			
Provided or irrevocably promised by the enterprise, as security for debts or commitments of affiliated enterprises	9381		
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise	9391		
Other substantial financial commitments	9401		
Financial results	9421	5,492	5,311
Income from financial fixed assets	9431		
Income from current assets	9441		
Other financial income	9461		
Debt charges	9471		
Other financial charges			
Gains and losses on disposal of fixed assets			
Obtained capital gains	9481		
Incurred capital losses	9491		
COMPANIES LINKED BY PARTICIPATING INTERESTS			
Financial fixed assets	282/3	4,650	
Investments	282	4,650	
Amounts receivable subordinated	9272		
Other amounts receivable	9282		
Amounts receivable	9292	551,697	1,428,392
After one year	9302		
Within one year	9312	551,697	1,428,392
Amounts payable	9352	119,991,747	134,717,291
After one year	9362	99,064,059	111,032,489
Within one year	9372	20,927,687	23,684,802

TRANSACTIONS WITH RELATED COMPANIES OUTSIDE NORMAL MARKET CONDITIONS

Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company:

Period

FINANCIAL RELATIONSHIPS WITH

DIRECTORS AND MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS

Amounts receivable from those persons

Code	Period
9500	

Conditions on amounts receivable

Guarantees provided in their favour

Guarantees provided in their favour – Main condition

Other significant commitments undertaken in their favour

Other significant commitments undertaken in their favour – Main condition

Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To directors and managers

To former directors and former managers

9501	
9502	
9503	359,816
9504	7,780

AUDITORS AND PEOPLE THEY ARE LINKED TO

Auditors' fees

Fees for exceptional services or special missions executed at the company by the auditors

Other attestation missions

Tax consultancy

Other missions external to the audit

Fees for exceptional services or special missions executed at the company by people they are linked to

Other attestation missions

Tax consultancy

Other missions external to the audit

Code	Period
9505	24,401
95061	9,600
95062	
95063	
95081	
95082	
95083	

Mention related to article 133 paragraph 6 from the Companies Code

STATEMENT CONCERNING CONSOLIDATED ACCOUNTS

Information to be provided by each enterprise, which is subject to the provisions of the Companies Code concerning consolidated annual accounts of companies

The enterprise has not produced a consolidated annual account and management report, because it is exempted from doing so for the reasons below:

The company itself is the subsidiary of a parent company which produces and publishes consolidated accounts in which its annual accounts are included by way of consolidation.

If so, show that exemption requirements have been met as provided for under Article 113 paras. 2 and 3 of the companies code.

Under Article 113 § 2 (2), we hereby declare that SCRL INTERFIN holds 74.59% of the shares in the capital of Sibelga consolidated by integrating all matters relating to our inter-municipal agency in its consolidated accounts.

Name, full address of the registered offices and, for an enterprise governed by Belgian Law, the company number of the parent company which prepares and publishes the required consolidated annual accounts:

INTERFIN SCRL
BE 0222.944.987
Quai des Usines 16
1000 Brussels
BELGIUM

INFORMATION TO BE DISCLOSED BY COMPANY BEING A SUBSIDIARY OR JOINT SUBSIDIARY

Name, full address of the registered office and, for an company governed by Belgian Law, the company number of the parent company and the indication if this parent company prepares and publishes a consolidated annual account, in which her annual account is included by consolidation :

INTERFIN SCRL
Consolidating parent company – Smallest aggregate
BE 0222.944.987
Quai des Usines 16
1000 Brussels
BELGIUM

* If the company's annual accounts are consolidated at different levels, give this information for the largest and smallest aggregates of companies to which the company belongs as a subsidiary and for which consolidated accounts are produced and published

VALUATION RULES

1. TANGIBLE FIXED ASSETS

Acquisition value:

Tangible fixed assets are booked to the assets side of the balance sheet at their acquisition or cost price or input value.

Ancillary costs:

Ancillary costs are included in the acquisition value of the tangible assets concerned. They include in particular non-deductible VAT which was charged on investments up to 30 June 1980. Ancillary costs are written down at the same rate as the installations to which they relate.

Third party involvement:

Third party involvement in funding tangible assets are deducted from their acquisition value. They are also deducted from the depreciation base of those installations.

Depreciation:

Depreciation is applied on a linear basis. Installations subject to depreciation are those as they exist as at 31 December of the financial year in question

The depreciation rates used are as follows:

- * 0% on land under heading Tangible Fixed Assets – Land and Buildings
- * 2% on constructions under heading Tangible Fixed Assets – Land and Buildings
- * 2% on low- and medium-voltage cables under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 2% on low- and medium-voltage ducting under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 10% on Automatic Meter Reading meters under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 10% on cogeneration installations under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 3% on other assets under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 20% on vehicles under heading Tangible Fixed Assets – Furniture and Vehicles
- * 33.33% on IT hardware under heading Tangible Fixed Assets – Furniture and Vehicles
- * 10% on other assets under heading Tangible Fixed Assets – Furniture and Vehicles
- * 20% on radiators hired under heading Tangible Fixed Assets – Other Tangible Fixed Assets

Initial difference between the RAB and book value of tangible fixed assets:

Until the end of 2009, tangible fixed assets were valued at the assets on the balance sheet at book value (i.e. acquisition value less depreciation) reviewed in accordance with the exemption obtained from the Ministry of Economic Affairs on 22 November 1985.

Since the start of 2003, Sibelga's business has been refocused in line with the deregulation of the electricity market on its position as distribution system operator (DSO) for electricity and gas.

In setting network use tariffs, Sibelga is required to produce proposals which it submits to the Electricity and Gas Regulation Committee (CREG) for approval. These rates proposed must comply with the guidelines issued by the CREG on tariff policy and fair profit margins. These provide a fair return on capital invested based on a rate ('WACC: weighted average cost of capital') obtained from a theoretical funding structure based on 1/3 equity and 2/3 debt, irrespective of what the DSO's financial structure actually is.

The capital invested consists of the regulated tangible fixed assets (RAB), plus or minus working capital.

The initial value of the capital invested (iRAB) is based on a technical inventory of the tangible fixed assets valued at their economic value as at 31.12.2001 for tangible electricity assets and as at 31.12.2002 for tangible gas assets.

The tariff orders require the RAB to be adjusted using the formula below:

$$RAB_n = iRAB + \text{investment } n - \text{depreciation } n - \text{decommissionings } n.$$

The CREG insists that it must be able to reconcile the RAB in tariffs proposed with the DSO's accounts at any time.

Sibelga has decided to include RAB in its accounts as of 2010, and has therefore:

Cancelled the historical excess values in its accounts

Booked the difference between the RAB and the book value of the tangible fixed assets (not reviewed) as at 31.12.2009. This difference, called RAB Excess Value is booked to the individual tangible fixed assets headings.

Article 5 §1 of the Royal Decree of 2 September 2008 requires the proportion of the RAB Excess Value for equipment decommissioned during the course of the year in question to be deducted from RAB annually. This reduction in RAB Excess Value is included in costs at a rate of 2% p.a. in the first regulatory period (2009-2012). At the end of the third year of each regulatory period, the rolling average is determined based on the four previous years. This rolling average then applies to the next regulatory period.

Sibelga applies this provision from the financial year 2010.

2. STOCK

Withdrawals from stock are valued at their average weighted price.

It is proposed to complete this rule based on a stock take conducted at least once a year.

Products which have not moved for more than 12 months are subjected to systematic examination:

- * If they are unusable, they are written down 100%;
- * If they can be used but the stock exceeds five years' consumption, they will be written down at least 50%.

In all other cases, products will retain their original value.

3. RECEIVABLES AT UP TO ONE YEAR

Receivables under this heading are included at their nominal value. They consist in particular of receivables due from customers and local authorities for energy supplies, works and sundry items. They are reduced to cover those regarded as irrecoverable, including those assigned to known insolvencies.

These bad debts are included in the profit and loss account in full (other operating costs); should any proportion of them then be recovered, the amount recovered is then included in the profit and loss account (other operating income).

4. PROVISION FOR RISKS AND CHARGES

This provision is decided by the Board.

5. LIABILITIES AT OVER ONE YEAR AND UP TO ONE YEAR

Amounts under these headings are shown at their nominal value.

6. DEFERRED ACCOUNTS

Deferred asset accounts comprise the management costs billed to the inter-municipal agency by the company involved under statutory regulations and/or decisions by management bodies. These charges correspond to liquidated pension costs by way of capital in favour of its staff formerly assigned to distribution work in the territory of the inter-municipal agency.

Under the principle of time-matching income and charges, the charges borne by the inter-municipal agency are spread over a period not exceeding 20 years.

Sibelga
07.05.2012
Note S - 756

***DIRECTORS' REPORT TO THE
GENERAL MEETING OF THE SHAREHOLDERS OF 18 JUNE 2012
FOR THE FINANCIAL YEAR 2011***

Dear sir or madam,

As required by the law and articles of association, we have pleasure in presenting you with our report on our company's business in its thirtieth financial year and in presenting the balance sheet and profit and loss account as at 31 December 2011, the notes and proposed application of the profits as required under Article 64 of the articles of association for your approval.

I. Opening remarks

While Sibelga is reporting on its business for the thirtieth financial year, this is in fact our ninth financial year in its form as created by combining the network management operations for the Brussels Capital Region and our fifth in the fully deregulated environment.

- Since the electricity and gas market was deregulated completely, the inter-municipal agency has focused on its business as distribution network manager, and its turnover now consists more or less exclusively of network utilisation charges paid by suppliers (Grid Fee).

Discontinuing the business of selling to captive inter-municipal agency clients may still affect the results by recovering counterparty receivables and by using or taking up commission for risks and costs.

- The inter-municipal agency notes the non-decision of the Commission Regulating Electricity and Gas (CREG) on determining a bonus or penalty for the tariffs Sibelga used in the financial year 2010. The last decision was for the financial year 2009.

II. Salient facts

1. CHANGES IN THE 10 YEAR OLO RATE

The government debt crisis is affecting the eurozone, and is a result of the combination of a common monetary policy with decentralised, non-coordinated budgetary policies.

It has therefore pushed the OLO 10 year rate up for the financial year 2011.

The OLO 10 year rate used in calculating the fair return has thus changed from 3.4374% in 2010 to 4.2045% in 2011.

By way of reminder, the OLO 10 year rate from the long-term tariff proposals 2009-2012 established on an ex ante basis was 3.9431%. This has meant an increase in the ex ante fair return of € 2.7 m.

2. ENERGY DISTRIBUTED

Electricity distribution was down at 2003 levels.

This finding must be seen against the background of a crisis in which energy savings are the order of the day.

On the gas side, energy levels distributed over the year were down, but not to any extent as far as the fall recorded in primary energy levels input into the network.

This phenomenon can be explained by the difference in weather conditions between 2010 and 2011. Degree days measured in 2010, which was regarded as a cold year, came to 2703.

In 2011, a comparatively warm year, the degree days came to 1928, or:

- 71% of the previous year;
- 80% of a normal year;
- 88% of the budget used in the tariff proposals.

The 2010 financial year ended underestimating the volumes distributed, as, while they were consumed, they were not read (energy in meters).

By the end of 2011, the major fall in INFEED (primary energy volumes injected into the network) was made up for partly by the consumption accounts in the year 2010.

3. DISTRIBUTION OF AVAILABLE RESERVES

In addition to the idea of creating class E shares and at the request of the private company shareholder, the general meeting resolved with effect as of 1 December 2010 to:

- Reduce the capital subscribed by way of class A shares to € 170,000,649.24, without reducing the number of class A shares, by reducing the paid-up value of each class A share;
- Distribute the reserves available, € 116,561,213.50, by way of an interim dividend.

This dividend will affect the corporation tax which hit the inter-municipal gas activity in 2010.

In terms of tax burden, we may say that the financial year 2011 marked a return to normal.

4. INCLUDING THE R.A.B. (REGULATORY ASSET BASE) IN BALANCE SHEET ASSETS

By way of reminder, by the end of the financial year 2009, the value of the tangible assets comprising the inter-municipal distribution network (technical installations: land, buildings and equipment) was equal to the book value revised in accordance with the exemption from the provisions of Article 34 of the Royal Decree of 8 October 1976 as amended by Article 29 of the Royal Decree of 12 September 1983 which the Ministry of Economic Affairs granted on 22 November 1985.

From the financial year 2010, in accordance with the CREG guidelines of 18 June 2003 on the fair profit margin applicable to gas and electricity transmission and distribution network managers operating in Belgium, provisions were recorded as follows:

"Electricity and natural gas distribution managers who have a technical inventory of their tangible assets reflecting their accounts which can be used to verify they reflect their actual tangible assets (by identifying those assets, for example), may value investments in tangible assets as a function of their economic replacement value as at 31 December 2001 (electricity) and 2002 (gas). This economic replacement value is justified based on current unit prices in force, allowing for current technology, for working equipment required for regulated activities. Depreciation on these initial replacement values, in terms of percentage, residual value and application procedures, are the same as those used by gas and electricity transmission and distribution systems in the past.

The value thus obtained, plus or minus nominal working capital, constitutes the initial value of the capital invested (iRAB). This iRAB value will be reduced by any investment subsidies received during the same period."

This action, which was recorded during the previous financial year, will have its full impact on calculating the payment base (invested capital) in the financial year 2011.

5. RISK COVER

Sibelga continued its prudent risk cover policy, which is reflected in a significant increase in provisions for risks and costs, amounting to:

- € 113,754,617.53 for the financial year 2010;
- € 122,223,135.17 for the financial year 2011;

The risks these provisions cover in particular are as follows:

- Operating risks which relate to buying primary energy for the ex-captive market before the liberalisation of the market and the corresponding allocation-reconciliation²⁷.
- Credit risk on the entities that owe monies to the distribution system operator on account of receivables;
- Adjustments involved in the uncertainty as to approving and allocating regulatory balances (due);
- Others such as site cleanups.

6. SIMPLIFICATIONS RELATING TO RDE

The municipality of Saint-Gilles started out owning equipment for distributing gas and electricity in its area.

The municipality provided this equipment for RDE to use.

RDE provided that equipment as well as its gas and electricity distribution equipment to Sibelga to be used.

By way of consideration for this provision, RDE held class U shares not included in the capital of the company, entitling it to a preferential dividend and received a redemption payment from Sibelga annually.

Sibelga's articles of association state that anyone who owns equipment provided for use may require the inter-municipal agency to buy them at any time, so Sibelga acquired this gas and electricity distribution equipment during the financial year.

The notarised deed provides that, having purchased this equipment, the class U shares will be abolished and RDE is no longer entitled to the preferential dividends or redemptions above.

RDE also transferred the four physical shares it held in Sibelga to Interfin effective as of 31 December 2011.

RDE ceased to be a shareholder in Sibelga as of the same date.

7. HOLDING ACQUIRED IN ATRIAS

On 9 May 2011, Sibelga, Eandis, Infrax and Ores signed the deeds of incorporation of a Federal Clearing House given the name Atrias.

To be more precise, a Clearing House is a register and IT system which manages data from all energy supply points and processes exchanges between the different players involved in the market.

Atrias will make it possible amongst other things to coordinate exchanging data and integrate developments in the market more effectively such as intelligent meters and networks and achieve economies of scale.

To reflect this commitment, the company has taken a 25% holding in Atrias.

²⁷ The wording in the official version of the published annual accounts is slightly unclear. These operating risks refer to the litigation with Distrigaz. Please refer to paragraph *Settlement with Distrigaz* on page 71 of the Prospectus for more detailed information this dispute and the corresponding settlement.

III. Analysis of discrepancies between reality in 2011 and the budget/tariff

The profit on the year came to € 66,599,349.84, derived from our activities:

- Ex-supply: € 4,155,678.60, involving recovering old commercial moneys due and on changes to provisions following settling disputes with Electrabel;
- Networks: € 62,443,671.24, from activities as follows:
 - o Non-regulated: – € 90,038.27, mainly the marginal 'radiators' activity;
 - o Regulated: € 62,533,709.51, constituting our core business.

These regulated profits (treatment of regulatory balances through bookings on accrual accounts and/or to provisions not included) come to € 92,482,959.92 and break down over our activities as follows:

	<u>Electricity</u>	<u>Gas</u>
• Fair profit margin 2011	€ 29,971,265.98	€ 27,949,818.48
• Balance of manageable costs 2011 (not approved)	€ 3,532,009.24	€ 5,778,689.71
• Balance of non-manageable costs 2011 (not approved)	€ 20,636,426.46	€ 4,614,750.05
TOTAL	€ 54,139,701.68	€ 38,343,258.24

NOTES TO THE HEADINGS

Fair profit margin is determined using the formula as laid down in the tariff orders.

The balances are discrepancies between reality and budget/tariff standards. They are either:

- Manageable, which are the operating and management costs where we control the commitments. As matters currently stand, the manageable balances are positive, which means that actual costs remained within the authorised tariff budget in both 'electricity' and 'gas';
- Non-manageable, which are mainly
 - o Extraordinary income and expenditure;
 - o Financial costs (embedded costs);
 - o Writedowns;
 - o The fair profit margin;
 - o The public service obligations;
 - o Supplementary charges and levies such as gas tax and pension costs;
 - o Volume differences (receipts);
 - o Cost of losses incurred.

In the present case, the balance of non-manageable costs of the electricity and gas activities constitute an excess received (debt) compared with the market.

All these headings together give a current regulated profit of € 92,482,959.92.

This is made up for by settlements, cover for risks and changes to provisions for establishing balances at a total value of - € 29,949,250.41. That takes the regulated profit to € 62,533,709.51.

NOTES ON TRENDS

The fair profit margin was pushed up, mainly because of the changes to the OLO 10 year rate, which is one of the main parameters in the payment formula.

On the margin, our investments were less than the tariff budget lodged with the regulator (see below), which reduces the payment base.

As for non-manageable costs, it should be noted as follows:

The major impact of consumption reconciliations from past financial years: 2007 (final reconciliation), 2008 and 2009 (provisional reconciliations). These reconciliations have enabled the inter-municipal agency to recover what was due to it from players in the market.

As far as distributed volumes are concerned, as was said above, 2011 could be regarded as a very hot year compared with normal, and above all compared with the year before.

This led to volume differences (receipts) which show the gas Grid Free invoiced is falling.

This fall is less than the fall in the INFEED of gas.

This can be explained by energy accumulating at the meter (energy consumed but not read) at the end of the preceding financial years, which came out in 2011 when accounts were billed after reading.

This energy in the meter weakened the major falling trend in the INFEED.

As far as the electricity Grid Fee is concerned, the notes on settlements and energy in the meter also apply but less so. On the other hand, internal movements towards more remunerative low voltage tariffs are pushing the Grid Fee up.

SUMMARY

Our analysis of the profits for the financial year 2011 breaks down as follows:

▪ Fair profit margin 'electricity	€ 29,971,265.98
▪ Fair profit margin 'gas'	€ 27,949,818.48
▪ Settlements and changes to provisions 2011	
▪ for non-manageable costs activities 'gas' (reviewed)	€ 4,614,750.05
▪ Balance settlements 2010 following the regulator's audit 'electricity'	- € 2,125.00
Regulated profits	€ 62,533,709.51
Non-regulated profits	- € 90,038.27
Profits ex-supply	€ 4,155,678.60
Profit on year	€ 66,599,349.84

IV. Annual report pursuant to Articles 95 and 96 of the Companies Code

1. NOTES TO THE ANNUAL ACCOUNTS TO PRESENT A TRUE AND FAITHFUL PICTURE OF THE DEVELOPMENT OF THE COMPANY'S BUSINESS AND ITS POSITION

Overall, taking all sectors together, Sibelga made a profit of € 66,599,349.84 on the financial year 2011, as against € 57,941,897.55 in the previous year. This increase is due to three factors, as follows:

- The fair profit margin which was pushed upwards by the changes in the OLO 10 year rate;
- The settlement between Sibelga, Electrabel and ECS relating to commercial disputes which pushed profits from the old supply activity up;
- The reversal of provisions reflecting the fall in regulatory risk cover for the non-manageable costs of 'gas' activities.

Turnover was € 312,871,401.37, compared with € 313,428,609.32 in the previous financial year. This figure is relatively stable, but reflects two movements in opposite directions: electricity turnover is up, but gas is down.

Turnover was also affected by bonus/penalty adjustments on the balances for non-manageable costs for the financial year 2011.

This turnover was also affected by other operating profits, which went from € 68,228,052.66 in 2010 to € 49,353,636.96 in 2011.

These profits relate to recoveries from invoicing fraud, broken seals, forgotten meters, fairs and festivities and others.

Please note: in 2010, the inter-municipal received two extraordinary subsidies from the Brussels Capital Region to the value of € 18,999,771.09, which explains the reduction in this heading.

The turnover achieved plus other operating products should enable the inter-municipal to cover its costs.

1.1. Electricity operations

- **For the last financial year, Sibelga invoiced a distribution network use charge (GRID FEE) to deregulated customer suppliers.**

This involved 620,378 active supply points (EAN).

Distributed volume came to 5,086,968,505 kWh, down 3.53% on the previous year. It should be noted that energy in meters (energy consumed but not read) has not been included at this stage.

This distributed volume enabled the inter-municipal to invoice € 209,921,159.19, including roadworks charges of € 22,655,569.51, an increase of 2.80%.

This increase was not affected by distributed volumes, but was affected by the tariff levels in 2011 and a switch from high voltage to low voltage tariffs.

By way of reminder, these tariffs come under the regulatory period .

- **Operating costs were down 4.74%. It should be noted that this covers both electricity and gas.**

Looking at the different items involved in these costs, we find as follows:

Supplies and merchandise

These were down 8.78%. Under the law on public contracts, they are attributed to the most favourable financial terms in view of the technical criteria as laid down in the technical specifications.

The financial reconciliation between players in the deregulated market for the financial years 2007 (final reconciliation), 2008 and 2009 (provisional reconciliations) also had a significant effect on the fall in costs.

Miscellaneous goods and services

These were down 6.84%. They account for 65.70% of all operating costs.

The main factors to be noted here are as follows:

- The management billing of subsidiaries B.N.O. and Metrix, which was up 5.06%;
- Pension costs remained stable;
- Subcontracting and consultancy costs which remained stable;
- Roadworks charges which subsided following the fall in distributed volume (indexing these tariffs only makes up for this in part);
- URE premiums which fell by the amount of extraordinary subsidies received from the Brussels-Capital region in the preceding financial year.

Another point to note is that completing the investment programme in part reduced the costs transferred to tangible assets and direct purchases for investments.

Pay, social security costs and pensions

This heading is now insignificant since staff were transferred to B.N.O. as of 1 October 2009.

Depreciation

This was up 3.08%. Note that including the RAB in the balance sheet assets involves an added value, depreciation on which is included under the heading 'Other operating costs' contrary to the added value which was booked until the end of 2009, which was included under this heading.

This depreciation was based on the CREG guidelines on the fair profit margin for electricity transmission and distribution networks involved in Belgium, without prejudice to the statutory provisions on company accounts.

Writedowns on stock

These reflect permanent adjustments to stock values in the light of the inter-municipal's activity and economic reality.

Provisions for risks and costs

These are set up to provide for expenses, risks and costs which are probable or certain but the amount of which is unknown. The criterion to be included in this heading is '**uncertainty**'.

This is a significant heading, covering 21 risks and uncertainties identified, up 7.45% in total.

As stated in salient facts above, the overall coverage level reflects the inter-municipal's extremely prudent policy.

Other operating costs

This heading was up significantly.

This increase was due to losses made on collecting trade receivables.

This heading also includes the cost involved in writing down the revaluation RAB.

- **The operating profit was € 37,233,777.41, as against € 41,748,062.88 in 2010.**
- **The net financial income/expenditure was a cost, at € 3,359,435.92 compared with € 3,018,037.37 in 2010.**

The policy involves redeeming current borrowings (the rate for which was already negotiated) without re-employment charges and investing excess liquidity at the best risk-free rate.

The increase in financial costs was due to financing past costs where payment was based on the OLO five year rate.

This increase in costs was made up for in part by an increase in financial income from realising current assets.

- **Extraordinary profits**

This showed an overall profit of € 5,255,984.22, as against a cost of € 6,573,865.96 in the previous year.

These costs relate to projects the market imposes on the inter-municipal such as Smart Metering and MIG.

They are made up for to a large extent by income from closing old supply activity files and the settlement with Electrabel on the one hand, and from taking up and using provisions on the other.

- **Profits on electricity operations came to € 32,683,092.61 as against € 34,225,376.35 in 2010, on a turnover of € 196,306,654.14 as against € 192,445,677.74 € in 2010.**

This profit breaks down into € 13,679,883.86 for the Roads Sector and € 19,003,208.75 for the Quay sector.

- **As Sibelga's funding is assured, no changes are proposed in terms of available reserves.**

1.2 Gas operations

- **In the year ended, Sibelga invoiced a distribution network charge (GRID FEE) to suppliers of deregulated customers.**

This covers 419,115 active supply points (EAN).

Distributed volume was 10,479,883,894 kWh, down 4.48%.

Degree days in 2011 were 1928, as against 2703 the previous financial year.

This is down 20.16% on the seasonal norm of 2415.

By way of reminder, cumulative energy in meters at the end of the preceding financial year went a long way to mitigating the adverse impact of the hot weather in the financial year ended.

Distributed volumes enabled the inter-municipal to invoice € 122,620,036.88 (including road charges of € 11,316,930.66), an increase due to the settlements which affected the total invoiced the preceding financial year.

The turnover realised plus other operating profits should cover costs.

- **The comments on operating costs are the same as for electricity operations**
- **Operating profit came to € 36,144,098.62, compared with € 32,134,166.23 in 2010.**
- **Net financial income/expenditure was a cost, at € 1,266,145.56 compared with € 1,571,912.25 in 2010.**

While the notes on the electricity operations also apply here, it should be stressed that current operational funding requirements for gas are much less than those for electricity, which explains why gas financial costs have developed much more favourably.

- **Extraordinary profits**

The overall notes here apply to both electricity and gas operations.

- **Profits from gas operations came to € 33,916,257.23 €, compared with € 23,716,521.20 in 2010, on a turnover of € 116,337,233.26 € as against € 120,729,243.16 in 2010.**

This profit breaks down into € 18,565,606.48 for the Roads sector and € 15,350,650.75 for the Quay sector.

➤ **As Sibelga's funding is assured, no changes are proposed in terms of available reserves**

2. MAJOR EVENTS SINCE FINANCIAL YEAR END.

N/A

3. CIRCUMSTANCES LIABLE TO HAVE A SIGNIFICANT INFLUENCE ON THE COMPANY

➤ **Political and regulatory context**

On 11 January 2012, the Belgian Gazette published the law of 8 January 2012 amending the law of 29 April 1999 on the organisation of the electricity market and the law of 12 April 1965 on carrying gas and other products by pipeline.

This law supersedes the royal decrees on tariffs of 2 September 2008 on which the 2009-2012 tariffs were based and requires the Federal regulator CREG to set the new procedures to be used to set distribution tariffs.

Until these new tariff procedures come into effect, CREG is authorised to maintain the tariffs in force on the date the law was published on a transitional basis or take any other measures as it sees fit.

In view of the transfer of distribution tariff powers to the Regions as decided as part of the last State reforms, there is some uncertainty as to whether the CREG will adopt the new tariff decrees and tariffs could be frozen in 2013 and 2014 while waiting for the regional regulators to actually exercise their new powers (Brugel in Brussels).

➤ **Smart meters**

In September 2012, as European directives require, the Brussels authorities have to respond to the requirement to provide smart meters for 80% of the population. In doing so, they will base themselves on the technical, financial, social and environmental studies conducted on the subject by the regulator Brugel, Sibelga and Brussels Environment in 2011 and early 2012.

The effects on metering and investment will vary, depending on how smart metering is recorded (for electricity and gas, for all or limited to certain categories, at what rate etc.)

➤ **Withdrawal of Electrabel as at 31.12.2012**

The balancing agreement to supply electricity and gas and network management in the Brussels Capital Region signed on 29.09.2003 provides that Electrabel will withdraw from the Sibelga inter-municipal as of 31.12.2012.

When this agreement ends, Interfin will buy the A2 shares, which represent 30% of existing class A shares.

➤ **Abolishing account sectors as at 01.01.2013**

The extraordinary general meeting of Sibelga on 19.12.2011 resolved to abolish the accounts sectors as at 01.01.2013. This resolution leads to the concept of a single company involved in two fluids in which the old supply operations can be isolated, until they run out.

This will make it possible to meet the regulator's requirements and apply a single result to Interfin where the four account sectors continue.

Sibelga's single result will be divided amongst the Interfin sectors as follows:

- An initial division based on the old supply operations linked to the ex-sectors for the balance of this activity;
- A second division to pay for the class E shares each sector holds;
- A third division covering the balance of the profits to be allocated to pay the class A shares held between the Quay and Roads sector based on the contractual financial key, which assigns
38.2% to the Roads sectors;
61.8% to the Quay sectors.

Ultimately, effective as of 01.01.2013, Sibelga's shareholders will be the 19 municipalities with two substantive shares each and Interfin which will hold the balance of the substantive shares.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

N/A.

5. BRANCHES OF THE COMPANY

N/A.

6. THE BALANCE SHEET SHOWS A LOSS CARRIED OVER OR THE PROFIT AND LOSS ACCOUNT SHOWS A LOSS ON THE YEAR FOR TWO CONSECUTIVE FINANCIAL YEARS

N/A.

7. INFORMATION REQUIRED UNDER COMPANIES CODE

N/A.

8. USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

As the inter-municipal still had surplus cash flow over the financial year, it pursued a due commercial care policy, investing these surpluses in cash unit trusts where the risks are extremely low (AAA or AA rated).

That completes our notes to the annual accounts for 2011.

In conclusion, we would ask you to adopt the annual accounts as presented.

V. Administration and governance

ELECTIONS

You will be asked during the course of this meeting to elect:

- A director, called on to complete the term of office formerly held by Monsieur Roland PETIT-JEAN outgoing; the municipality of Anderlecht has nominated Monsieur Oscar DUBRU as his replacement.
- A supervisory board member called on to complete the term of office formerly held by Madame Sylvie BOMELE MOLINGO, outgoing; the municipality of Molenbeek-Saint-Jean has nominated Monsieur Thierry NAVARRE as her replacement.
- A supervisory board member called on to complete the term of office formerly held by Madame Vanessa CUEVAS, outgoing; the municipality of Ixelles has nominated Madame Solange PITROIPA as her replacement;
- A supervisory board member called on to complete the term of office formerly held by Monsieur Mohamed KHEDDOUMI, outgoing; the municipality of Evere has nominated Madame Nicole LEPAGE as his replacement.

EXONERATION

We would ask you to vote specifically to exonerate your directors, supervisory board members and auditors from liability in the performance of their offices during the financial year 2011.

* *

If you approve the balance sheet, the profit and loss account, the notes, and the application of profits, the dividends due to shareholders will be paid at the end of June 2012.

2012.

Bruxelles, le 7 mai 2012
LE CONSEIL D'ADMINISTRATION

**AUDITORS' REPORT TO THE
GENERAL MEETING OF THE SHAREHOLDERS
OF 18 JUNE 2012**

Dear sir or madam,

We have pleasure in reporting on our control and audit duties for the financial year 2011.

We have examined the annual accounts as at 31 December last. We have examined the various entries involved and found that they agree perfectly with the books of the company. The directors and officers of the company have also given us all the explanations and information we requested.

We have found that the books and annual accounts have been produced in accordance with current laws and regulations in force.

We believe the annual accounts give a true and accurate picture of the company's assets, financial position and results in accordance with the laws and regulations governing them, and that the supporting details as given in the notes are sufficient.

The directors' report contains the information required by law and is in accordance with the annual accounts.

The application of the profits as proposed is in accordance with the articles of association and legal requirements.

We did not find any transactions concluded or decisions taken contrary to the articles of association or Companies Code.

We therefore have pleasure in advising that you adopt the annual accounts as presented by the Board.

We have no reservations or objections to make against them.

Before ending this report, we have pleasure in thanking Monsieur A. Serckx, the auditor, for all the assistance he has provided us in performing our duties.

Brussels, 10 May 2012
THE AUDITORS

ALAIN SERCKX
Company auditor S.C.P.R.L.
R.P.M. Brussels

FERNAND MAILLARD
Company auditor S.C.P.R.L.
R.P.M. Brussels

SIBELGA S.C.R.L.
Quai des Usines, 16,
1000 Brussels

Brussels, 10 May 2012

Auditors' report on the annual accounts of S.C.R.L.SIBELGA as at 31 December 2011 to the general meeting of 18 June 2012.

Dear sir or madam,

We have pleasure in presenting our report in the course of our duties as auditors. This report includes our opinion on the annual accounts and the additional statements and information required.

Unqualified approval of annual accounts with explanatory paragraph

We have audited the annual accounts for the year ended 31 December 2011, produced using established accounting procedures in Belgium, showing total assets of EUR 1,384,888,180.65, with the profit and loss account ending in a profit on the year of EUR 66,599,349.84.

Producing the annual accounts is the responsibility of the management body. This responsibility includes designing, implementing and monitoring a system of internal controls aimed at producing and presenting true and accurate annual accounts which do not contain any significant irregularities whether as the result of fraud or error, choosing and using appropriate valuation methods and making accounting assumptions reasonable under the circumstances.

Our responsibility is to express our opinion on these annual accounts in the light of our audit. We conducted our audit as required by law and in accordance with audit principles applicable in Belgium as issued by the Institute of Company Auditors. These audit principles require us to organise and conduct our audit in such a way as to be reasonably certain that the annual accounts do not contain any significant irregularities whether a result of fraud or error.

Following the audit principles above, we examined how the company is organised in administrative and accounting terms and its internal control systems. The management body and officers of the company gave us the explanations and information our audit required. We examined the amounts shown in the annual accounts by random sampling to verify that they were correct. We examined whether the valuation principles the company uses are well founded and the significant accounting estimates it makes are reasonable, and how the annual accounts are presented as a whole. We believe this work provides a reasonable basis on which to state our opinion.

We believe the annual accounts as at 31 December 2011 give a true and accurate picture of the company's assets, financial situation and results in accordance with established accounting procedures in Belgium.

Explanatory note

The European directives on the energy market were enacted in Belgian law on 8 January 2012. This enactment has had a regulatory impact on how the energy market is organised and operates, in that the royal decrees on tariffs of 02.09.2008 were abolished and the Federal regulator alone now has authority to lay down tariff procedures for distributing energy. In expectations that the powers here will probably be transferred to the regions, the regulatory framework in which the distribution network operator will develop in Belgium remains uncertain, and will undoubtedly change in the next few years. There is no way of

saying at present what financial consequences these transfers of powers will have on the distribution network manager's performance and/or on regulatory provisions enacted in the accounts.

Additional statements and information

The production and content of the directors' report and the company's compliance with the companies code and articles of association are the responsibility of the management body.

Our responsibility is to include in our report the additional statements and information below, which are not such as to vary the scope of our certification of the annual accounts:

- The directors' report deals with the information required by law and is in accordance with the annual accounts, except for risks and uncertainties beyond those for which provision has been made. We are not in a position to pronounce on the details of the main risks and uncertainties the company faces or its position, foreseeable changes or the particular impact of certain facts on its future development. We can however confirm that the information provided does not show any manifest inconsistencies with the information of which we are aware in the course of our duties.
- In terms of how revaluations are handled in the accounts, the provisions of Article 57 of the Royal Decree of 30 January 2001 implementing the Companies Code and the opinions of the Accounting Standards Commission on the matter recommend that extracting the added value as stated in the balance sheet assets should not affect the profit and loss account, but equity funds alone. The entries booked in the accounts as at 31 December 2011 on the subject comply with the Royal Decree of 2 September 2008 establishing the principle of flat rate extraction in a regulated market. This Royal Decree was however abolished by the law of 8 January 2012 enacting European directives on the energy market in Belgian law. The accounting principles applied in 2010 were maintained while awaiting agreement with the Federal regulator on the tariff procedures to be applied to energy distribution
- Without prejudice to formal aspects of minor importance, the accounts are kept in accordance with the provisions of the laws and regulations applicable in Belgium.
- There are no transactions concluded or decisions taken contrary to the articles of association or Companies Code to which we have to draw your attention. The application of profits as proposed to the general meeting is in accordance with the provisions of the law and articles of association.

Brussels, 10 May 2012.

ALAIN SERCKX
Company auditors SCPRL

FERNAND MAILLARD
Company auditors SCPRL

Notes to the statement of assets and the statement of equity and liabilities of the Issuer for the financial year ended 31 December 2011.

1. Notes to the statement of Assets

A. Tangible fixed assets (code: 22/27)

This section comprises the value of the tangible fixed assets, after deduction of the contributions by the clientele and of the depreciations.

B. Financial fixed assets (code: 28)

B.1 Affiliated enterprises – Participating interests (code: 280)

- Subscriptions to the capital of the companies Metrix (EUR 158,400.00 / EUR 158,400.00), Sibelga Operations (EUR 18,800.00 / EUR 18,800.00) and Brussels Network Operations (EUR 4,018,228.00 / EUR 4,018,228.00).

- Not paid-up share capital of the company Sibelga Operations (EUR – 2,986.42 / EUR – 2,986.42).

B.2 Enterprises linked by participating interests – Participating interests (code: 282)

Subscription to 93 shares of the capital of the company Atrias (EUR 4,650.00 / EUR 0.00).

B.3 Other financial fixed assets (code: 284/8)

- Shares.subscription to an asset of Laborelec.

- Amounts receivable and cash guarantees: various guarantees.

C. Stocks and work in progress (code: 3)

C.1 Stocks – Raw materials and consumables (code: 30/31)

Valuation of the stock held at the Quai des Usines.

C.2 Work in progress (code 32)

Expenses made for work in progress.

D. Amounts receivable within one year (code: 40/41)

D.1 Trade debtors (code: 40)

- Claims for the activity "Acces&Transit" EUR 46,932,436.94 / EUR 52,584,007.17).

- Claims for energy supplies electricity and gas, for the rental of radiators, for works and miscellaneous (EUR 47,964,497.20 / EUR 42,395,436.94).

- Doubtful debts for various works (EUR 286,560.41 / EUR 377,129.34).

- Different amounts to be regularised (EUR 308,471.88 / EUR 589,931.69).

D.2 Other amounts receivable (code: 41)

- Tax levied for the financing of the public service obligations under Article 26 of the Brussels regulation of 19/07/2001 (EUR 3,591,809.39 / € 3,583,402.22).

- VAT (EUR 3,080,767.19 / EUR 4,111,204.46), the energy contribution (EUR 5,409.45 / EUR 2,530.23) and the withholding on amounts to be recovered (EUR 11,881.40 / EUR 10,687.92).

- The regularisation of the tax on legal entities for the account of the associated private company (EUR 0.00 / EUR 4.991,92).

- Federal contribution and compensation electricity to be recovered (EUR 3,845,111.78 / EUR 370,013.04).
- Claims for damages caused to the grid (EUR 751,064.21 / EUR 731,788.06).
- Bails paid for works (EUR 166,920.61 / EUR 166,920.61).
- Various amounts to recover (EUR 74,868.00 / EUR 77,759.71).

E. Cash investments (code: 50/53)

E.1 Other investments and deposits (code: 51/53)

Overview of investments with various financial institutions.

F. Deferred charges and accrued income (code: 490/1)

- The balance of the pension capital including the capitalized annuities of which the charges are to be transferred to subsequent financial years (EUR 121,616,430.15 / EUR 135,095,428.05).
- The estimated value of delivered but not yet metered energy for protected clients (EUR 1,488,10.54 / EUR 1,177,157.98).
- Previously booked expenses (EUR 304,977.06 / EUR 192,304.98)
- Accrued income, mostly with regard to the bonus-malus CREG (EUR 11,436.099,20 / € 21.967.910,21).

2. Notes to the statement of Equity and Liabilities

A. Capital (code: 10)

A.1 Issued capital (code: 100)

Nominal value of the capital, represented by 16,425,734 shares A (EUR 258,237,177.08 / EUR 258,237,177.08) and 2.965.618 shares E (EUR 296,561,800.00 / EUR 296,561,800.00).

B. Share premium accounts (code: 11)

The share premium arose the context of the contribution of activities of the "Sectors South" of Sibelgas in Sibelga. It represents the difference between the contribution and its indemnification in tangible shares A.

C. Revaluation surpluses (code: 12)

Surpluses caused by the revaluation of the balance sheet value of the tangible fixed assets.

D. Reserves (code: 13)

D.1 Legal reserves (code: 130)

Reserves established in accordance with Article 428 Company Code and limited to 10% of the fixed part of the capital.

D.2 Reserves not available – Other (code: 1311)

- Reserves established as an application of the deviation regarding the revaluation of the tangible fixed assets, which corresponds to the depreciation of the revaluation surplus of these fixed assets, as well as the revaluation surpluses of the facilities no longer used (EUR 85,097,264.64 / EUR 79,880,007.12).
- Reserve "Fund public lighting" sector Steenweg Elektriciteit (EUR 11,407,676.62 / EUR 11,407,676.62).

E. Provisions and deferred tax (code: 16)

E.1 Provisions for liability and charges – Other liabilities and charges (code: 163/5)

- Provisions made in application of the recommendation of the Control Committee c.c.(g) 2003/13 of 12/03/2003 (EUR 5,456,547.11 / EUR 5,379,552.27).

Distribution system operators where, prior to the liberalisation of the energy market, urged to take initiatives to promote (the safe use of) gas. Certain funds made available at that time are still available. The Issuer made a provision for these funds. The underlying budgets cannot be used without the consent of the Brussels Capital Region.

- Provisions made in the context of the closing of the "supply" activity in respect of, on the one hand, additional charges for the recovery of debts and on the other hand, the amount of the irrecoverable debts (EUR 6,460,996.64 / EUR 10,287,343.99).
- Provisions made to cover the amount of the irrecoverable debts resulting from various activities such as fraud, seal breaking and forgotten meters (EUR 25,033,023.42 / EUR 18,638,683.63).
- Provision made to cover the "settlement risk" for the financial years 2004 to 2006 (EUR 29,893,332.65 / EUR 31,639,070.65).
- Provision "Rest-term" intended to cover the difference between the reconciliation and the allocation of the distributed volumes, whereby these are borne by the DSO (EUR 19,066,158.59 / EUR 17,096,431.80).

The energy injected in the network is ex-ante allocated to the relevant consumer suppliers (in function of their customer base). This allocation is revisited ex-post. The part of the energy injected that can not be allocated to a consumer supplier, is to be borne by the DSO (in which case this provision is used.)

- Provision made to cover the clean-up obligations in respect of various sites (EUR 7,148,336.66 / EUR 7,444,273.71).
- Provision made to cover the risks of the defects in the various cogeneration installations (EUR 1,477,120.00 / EUR 1,654,543.49).
- Provision made to cover the IT disputes (Attachmate and Oracle) (EUR 1,371,862.77 / EUR 0,00).

This provision relates to the risk mentioned in item (d) in the "Risks of Litigation" on page 17. The other part relates to the Oracle dispute, which has in the mean time been resolved.

- Provision made to cover the compensation for nuisance experienced by the self-employed during works (EUR 94,612.50 / EUR 94,612.50).
- Provision made to cover the regulatory risk (EUR 26,221,144.73 / EUR 21,520,105.49).

F. Amounts payable after more than one year (code: 17)

F.1 Financial debts – Credit institutions (code: 173)

Amounts to be repaid on the long-term loans granted by Belfius Bank.

F.2 Other loans (code: 174)

Loans granted by Electrabel that covers the pre-paid pension benefits.

G. Amounts payable within one year (code: 42/48)

G.1 Current portion of amounts payable after more than one year falling due within one year (code: 42)

Amounts repayable before 31 December of the subsequent financial year:

- on the long-term loans granted by Belfius Bank (EUR 5,671,832.38 / EUR 9,448,234.97);
- on the loans granted by Electrabel that covers the pre-paid pension benefits (EUR 11,968,429.66 / EUR 12,098,378.04).

G.2 Trade debts – Suppliers (code: 440/4)

Invoices and credit notes for investment expenses, operating expenses, purchase of material and accessories as well as miscellaneous items that have to be paid.

G.3 Advances received on contracts in progress (code: 46)

Balance of interim billings concerning the bound customers with annual metering of consumption (EUR 1,488,100.54 / EUR 1,177,157.98) and amounts paid by customers for works to be carried out (EUR 472,246.94 / EUR 534,906.41).

G.4 Debts concerning taxes, remunerations and social security (code: 454/9)

G.5 Tax (code: 450/3)

This category includes:

- the regularisation of the additional tax payable on the dividends to the associated company (EUR 158,058.93 / EUR 565,887.77);
- the energy contributions (EUR 1,990.82 / EUR 0,00).

G.6 Other amounts payable (code: 47/48)

In this section:

- dividends payable to the shareholders (EUR 66,599,349.84 / EUR 60,922,616.65);
- amounts to be repaid to the clients (EUR 9,619,680.10 / EUR 9,706,594.26);
- the balance of the roads fee payable to the municipalities (EUR 6,530,853.91 / EUR 5,940,942.85);
- the balance of the proceeds of the "contribution Article 26" of the Brussels regulation concerning the organisation of the electricity market of 19 July 2001 payable to BIM (EUR 718,338.06 / EUR 763,421.78);
- the sums deposited by the customers to cover their obligations towards the intermunicipal organisation (EUR 36,645.95 / EUR 40,478.24);
- the balance of the first "Fund public lighting" (€ 3.978,44 / € 3.978,44);
- various amounts payable (€ 2.108.501,71 / € 3.154.062,82).

H. Accrued charges and deferred income (code: 492/3)

This section includes:

- the provisions for financial costs (EUR 402,916.95 / EUR 473,198.68);
- the provisions REG premiums to be settled (EUR 11,564,473.42 / EUR 13,681,896.86);
- the balances of non-managable costs for the current regulatory period (bonus-malus CREG) (EUR 36,600,770.99 / EUR 15,965,546.85);
- various amounts to be regularised (EUR 1,407,162.02 / EUR 154,274.48).

Audited annual financial statements of the Issuer for the financial year ended 31 December 2010, drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium, together with the audit report thereon.

40	07/07/2011	BE 0222.869.673	44	EUR		
NAT.	Date deposited	No.	Blz.	D.	11275.0021	VOL 1.1

ANNUAL ACCOUNTS IN EUROS

Name: **SIBELGA**
 Legal Form: Cooperative limited liability company
 Address: Quai des Usines No.: 16 Box:
 Postal Code: 1000 Town: Brussels
 Country: Belgium
 Register of Legal Persons (RLP) – Office of the Commercial Court Brussels
 Website:

Company Register number **BE 0222.869.673**

Date of the deposition of the partnership deed OR of the most recent document mentioning the date of Publication of the partnership deed and the act changing the articles of association **20-09-2010**

Annual accounts approved by the General Meeting of **20-06-2011**

concerning the financial year covering the period from **01-01-2010** to **31-12-2010**

Previous period from **01-01-2009** to **31-12-2009**

The amounts of the previous fiscal year are identical to those which have been previously published.

Enclosed to these annual accounts: Directors' report, auditors' report
 Number of the pages of the standard form not deposited for not being of service:
 VOL 1.2, VOL 5.1, VOL 5.2.1, VOL 5.2.2, VOL 5.2.3, VOL. 5.3.4, VOL. 5.3.6, VOL. 5.4.2, VOL. 5.5.2, C 5.16, C 5.17.2,

COMPLETE LIST with name, , first name, profession, residence-address (address, number, postal code and municipality) and position with the enterprise, of DIRECTORS, MANAGERS and AUDITORS

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BALANCE SHEET

		Code	Period	Previous period
ASSETS				
FIXED ASSETS		20/28	<u>1,068,169,351</u>	805,990,346
Formation expenses	5.1	20		
Intangible fixed assets	5.2	21		
Tangible fixed assets	5.3	22/27	1,063,975,978	801,796,002
Land and buildings		22	50,018,722	37,719,792
Plant, machinery and equipment		23	993,428,086	743,319,779
Furniture and vehicles		24	20,260,627	20,426,472
Leasing and other similar rights		25		
Other tangible fixed assets		26	268,543	329,959
Assets under construction and advanced payments		27		
Financial fixed assets	5.4/5.5.1	28	4,193,373	4,194,345
Affiliated enterprises	5.14	280/1	4,192,460	4,192,460
Participating interests		280	4,192,460	4,192,460
Amounts receivable		281		
Other enterprises linked by participating interests	5.14	282/3		
Participating interests		282		
Amounts receivable		283		
Other financial assets		284/8	913	1,885
Shares		284	288	288
Amounts receivable and cash guarantees		285/8	625	1,597
CURRENT ASSETS		29/58	<u>298,444,577</u>	<u>292,309,259</u>
Amounts receivable after more than one year		29		
Trade debtors		290		
Other amounts receivable		291		
Stock and work in progress		3	9,975,650	9,070,688
Stocks		30/36	7,110,750	6,920,380
Raw materials and consumables		30/31	7,110,750	6,920,380
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34		
Immovable property intended for sale		35		
Advanced payments		36		
Contracts in progress		37	2,864,900	2,150,308
Amounts receivable within one year		40/41	105,005,803	93,637,219
Trade debtors		40	95,946,505	83,304,943
Other amounts receivable		41	9,059,298	10,332,276
Cash investments	5.5.1/5.6	50/53	21,340,566	11,662,832
Own shares		50		
Other investments and deposits		51/53	21,340,566	11,662,832
Cash at bank and in hand		54/58	3,689,756	4,887,727
Deferred charges and accrued income	5.6	490/1	158,432,801	173,050,793
TOTAL ASSETS		20/58	1,366,613,928	1,098,299,605

	Note.	Code	Period	Previous Period
EQUITY AND LIABILITIES				
EQUITY				
Capital	5.7	10/15	912,046,256	676,504,851
Issued capital		10	554,798,977	428,237,826
Uncalled capital		100	554,798,977	428,237,826
Share premium account		101		
Revaluation surpluses		11	10,112,499	10,112,499
Reserves		12	255,645,619	35,321,409
Legal reserves		13	91,489,161	202,833,117
Reserves not available		130	201,477	201,477
In respect of own shares held		131	91,287,684	86,070,426
Other		1311	91,287,684	86,070,426
Untaxed reserves		132		
Available reserves		133		116,561,214
Accumulated profits (losses) (+)/(-)		14		
Investment grants		15		
Advances to associates on the sharing out of the assets		19		
PROVISIONS AND DEFERRED TAX		16	113,754,618	90,956,215
Provisions for liabilities and charges		160/5	113,754,618	90,956,215
Pensions and similar obligations		160		
Taxation		161		
Major repairs and maintenance		162		
Other liabilities and charges	5.8	163/5	113,754,618	90,956,215
Deferred tax		168		
AMOUNTS PAYABLE		17/49	340,813,055	330,838,539
Amounts payable after more than one year	5.9	17	129,534,301	148,022,907
Financial debts		170/4	18,501,811	24,892,039
Subordinated loans		170		
Unsubordinated debentures		171		
Leasing and other similar obligations		172		
Credit institutions		173	18,501,811	24,892,039
Other loans		174		
Trade debts		175		
Suppliers		1750		
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9	111,032,489	123,130,867
Amounts payable within one year		42/48	181,003,838	180,726,325
Current portion of amounts payable after more than one year falling due within one year	5.9	42	21,546,613	21,225,973
Financial debts		43		20,000,000
Credit institutions		430/8		20,000,000
Other loans		439		
Trade debts		44	76,647,177	71,344,277
Suppliers		440/4	76,647,177	71,344,277
Bills payable		441		
Advances received on contracts in progress		46	1,712,064	2,030,045
Tax, remuneration and social security	5.9	45	565,888	85,466
Tax		450/3	565,888	85,466
Remuneration and social security		454/9		
Other amounts payable		47/48	80,532,095	66,040,564
Accrued charges and deferred income	5.9	492/3	30,274,917	2,089,307
TOTAL EQUITY AND LIABILITIES		10/49	1,366,613,928	1,098,299,605

INCOME STATEMENT

	Note.	Code	Period	Previous Period
Operating income		70/74	382,371,254	347,702,649
Turnover	5.10	70	313,428,609	307,236,018
Increase (decrease) in stocks of finished goods, work and contracts in progress (+)/(-)		71	714,592	188,409
Own construction capitalised		72		
Other operating income	5.10	74	68,228,053	40,278,221
Operating charges		60/64	309,654,911	297,638,138
Raw materials, consumables		60	33,232,623	42,126,464
Purchases		600/8	33,569,160	41,532,438
Decrease (increase) in stocks (+)/(-)		609	-336,536.....	594,025
Services and other goods		61	208,012,172	180,047,642
Remuneration, social security costs and pensions (+)/(-)	5.10	62	21,966	4,017,840
Depreciation of and amounts written off on formation expenses, intangible, and tangible fixed assets		630	39,825,380	42,010,734
Amounts written off on stocks, contracts in progress and trade debtors: appropriations (write-backs) (+)/(-)		631/4	146,166	.....
Provisions for risks and charges: appropriations (uses and write-backs) (+)/(-)	5.10	635/7	18,153,942	24,635,632
Other operating charges	5.10	640/8	10,262,632	4,799,826
Operating charges carried to assets as restructuring costs (-)		649		
Operating profit (loss) (+)/(-)		9901	72,716,343	50,064,510
Financial revenue		75	194,988	1,238,347
Income from financial fixed assets		750	6,989	8,007
Income from current assets		751	36,904	29,202
Other financial income	5.11	752/9	151,095	1,201,137
Financial charges	5.11	65	4,326,026	5,594,234
Debt charges		650	4,319,851	5,590,543
Amounts written down on current assets except stocks, contracts in progress and trade debtors		651	.....	.....
Other financial charges		652/9	6,175	3,692
Gain (loss) on ordinary activities before taxes		9902	68,585,305	45,708,622
Extraordinary income		76	2,321,597	3,221,248
Write-back of depreciation and of amounts written down intangible and tangible fixed assets		760	.....	.....
Write-back of amounts written down financial fixed assets		761	.....	.....
Write-back of provisions for extraordinary liabilities and charges		762	617,831	2,444,044
Gains on disposal of fixed assets		763	.....	.....
Other extraordinary income	5.11	764/9	1,703,766	777,204

	Note	Code	Period	Previous Period
Extraordinary charges		66	8,895,463	5,111,419
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		660	.....	.....
Amounts written down financial fixed assets		661	.....	.....
Provision for extraordinary liabilities and charges: appropriations (uses) (+)/(-)		662	5,262,292	.....
Other extraordinary costs	5.11	664/8	3,633,171	5,111,419
Extraordinary costs carried to assets as restructuring costs (+)/(-)		669		
Profit (loss) for the period before tax (+)/(-)		9903	62,011,439	43,818,452
Transfer from postponed tax		780		
Transfers to postponed tax		680		
Income taxes (+)/(-)		67/77	4,069,541	719,332
Income taxes		670/3	4,069,541	719,332
Adjustment of income tax and write-backs of tax provisions		77		
Profit (loss) on period (+)/(-)		9904	57,941,898	43,099,120
Transfers from untaxed reserves		789		
Transfers to untaxed reserves		689		
Profit (loss) on period available for appropriation (+)/(-)		9905	57,941,898	43,099,120

APPROPRIATION ACCOUNT

	Note	Code	Period	Previous Period
Profit (loss) to be appropriated		9906	57,941,898	43,099,120
Gain (loss) to be appropriated	(+)/(-)	9905	57,941,898	43,099,120
Profit (loss) to be carried forward	(+)/(-)	14P		
Transfers from capital and reserves		791/2	116,561,214	
From capital and share premium account		791		
From reserves		792	116,561,214	
Transfers to capital and reserves		691/2		
To capital and share premium account		691		
To legal reserves		6920		
To other reserves		6921		
Profit (loss) to be carried forward	(+)/(-)	14		
Owner's contribution in respect of losses		794		
Profits to be distributed		694/6	174,503,111	43,099,120
Dividends		694	174,503,111	43,099,120
Director's or manager's entitlements		695		
Other beneficiaries		696		

STATEMENT OF TANGIBLE ASSETS

	Code	Period	Previous Period
LAND AND BUILDING			
Acquisition value at the end of the period	8191P	xxxxxxxxxxxxx	60,287,702
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets	8161	12,513,349	
Sales and disposals	8171	.....
Transfers from one heading to another	8181	.....
Acquisition value at the end of the period	8191	72,801,051	
Revaluation surpluses at the end of the period	8251P	xxxxxxxxxxxxx	160,189
Movements during the period			
Recorded	8211	1,083,524	
Acquisitions from third parties	8221	.....
Cancelled	8231	.....
Transferred from one heading to another (+)/(-)	8241	.....
Revaluation surpluses at the end of the period	8251	1,243,713	
Depreciation and amounts written down at the end of the period	8321P	xxxxxxxxxxxxx	22,728,099
Movements during the period			
Recorded	8271	1,297,943	
Written back	8281	.....
Acquisitions from third parties	8291	.....
Cancelled owing to sales and disposals	8301	.....
Transferred from one heading to another (+)/(-)	8311	.....
Depreciation and amounts written down at the end of the period	8321	24,026,041	
NET BOOK VALUE AT THE END OF THE PERIOD	22	50,018,722	

	Code	Period	Previous Period
PLANT, MACHINERY AND EQUIPMENT			
Acquisition value at the end of the period	8192P	XXXXXXXXXXXX	1,226,608,894
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets	8162	65,848,207	
Sales and disposals	8172	14,752,598	
Transfers from one heading to another	8182	.....
Acquisition value at the end of the period	8192	1,277,704,503	
Revaluation surpluses at the end of the period	8252P	XXXXXXXXXXXX	83,502,597
Movements during the period			
Recorded	8212	171,005,129	
Acquisitions from third parties	8222	.....
Cancelled	8232	.....
Transferred from one heading to another (+)/(-)	8242	.....
Revaluation surpluses at the end of the period	8252	254,507,727	
Depreciation and amounts written down at the end of the period	8322P	XXXXXXXXXXXX	566,791,712
Movements during the period			
Recorded	8272	31,933,540	
Written back	8282	.....
Acquisitions from third parties	8292	.....
Cancelled owing to sales and disposals	8302	59,941,108	
Transferred from one heading to another (+)/(-)	8312	.....
Depreciation and amounts written down at the end of the period	8322	538,784,143	
NET BOOK VALUE AT THE END OF THE PERIOD	23	993,428,086	

	Code	Period	Previous Period
FURNITURE AND VEHICLES			
Acquisition value at the end of the period	8193P	XXXXXXXXXXXX	49,964,614
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets.....	8163	6,257,623	
Sales and disposals	8173	2,418,640	
Transfers from one heading to another	8183	.....
Acquisition value at the end of the period	8193	53,803,597	
Revaluation surpluses at the end of the period	8253	XXXXXXXXXXXX	
Movements during the period			
Recorded	8213	.....
Acquisitions from third parties	8223	.....
Cancelled	8233	.....
Transferred from one heading to another (+)/(-)	8243	.....
Revaluation surpluses at the end of the period	8253		
Depreciation and amounts written down at the end of the period	8323P	XXXXXXXXXXXX	29,538,142
Movements during the period			
Recorded	8273	6,418,241	
Written back	8283	.....
Acquisitions from third parties	8293	.....
Cancelled owing to sales and disposals	8303	2,413,413	
Transferred from one heading to another (+)/(-)	8313	.....
Depreciation and amounts written down at the end of the period	8323	33,542,970	
NET BOOK VALUE AT THE END OF THE PERIOD	24	20,260,627	

	Code	Period	Previous Period
OTHER TANGIBLE FIXED ASSETS			
Acquisition value at the end of the period	8195P	xxxxxxxxxxxxx	1,251,052
Movements during the period (+)/(-)			
Acquisitions, including produced fixed assets	8165	164,354	
Sales and disposals	8175	537,121	
Transfers from one heading to another..... (+)/(-)	8185	.....
Acquisition value at the end of the period	8195	878,285	
Revaluation surpluses at the end of the period	8255P	xxxxxxxxxxxxx	
Movements during the period			
Recorded	8215	.....
Acquisitions from third parties	8225	.....
Cancelled	8235	.....
Transferred from one heading to another (+)/(-)	8245	.....
Revaluation surpluses at the end of the period	8255		
Depreciation and amounts written down at the end of the period	8325P	xxxxxxxxxxxxx	921,093
Movements during the period			
Recorded	8275	175,657	
Written back	8285	.....
Acquisitions from third parties	8295	.....
Cancelled owing to sales and disposals	8305	487,008	
Transferred from one heading to another (+)/(-)	8315	.....
Depreciation and amounts written down at the end of the period	8325	609,742	
NET BOOK VALUE AT THE END OF THE PERIOD	26	268,543	

STATEMENT OF FINANCIAL FIXED ASSETS

	Code	Period	Previous Period
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8391P	XXXXXXXXXXXXX	4,195,428
Movements during the period		.....
Acquisitions, including produced fixed assets	8361	.....
Sales and disposals	8371	.....
Transfers from one heading to another..... (+)/(-)	8381	.....
Acquisition value at the end of the period	8391	4,195,428	
Revaluation surpluses at the end of the period	8451P	XXXXXXXXXXXXX	
Movements during the period		.....
Recorded	8411	.....
Acquisitions from third parties	8421	.....
Cancelled	8431	.....
Transferred from one heading to another (+)/(-)	8441	.....
Revaluation surpluses at the end of the period	8451	.....
Amounts written down at the end of the period	8521P	XXXXXXXXXXXXX	
Movements this year		.....
Recorded	8471	.....
Written back	8481	.....
Acquisitions from third parties	8491	.....
Cancelled owing to sales and disposals	8501	.....
Transferred from one heading to another (+)/(-)	8511	.....
Amounts written down at the end of the period	8521	.....
Uncalled amounts at the end of the period	8551P	XXXXXXXXXXXXX	2,968
Movements during the period (+)/(-)	8541	.....
Uncalled amounts at the end of the period	8551	2,968	
NET BOOK VALUE AT THE END OF THE PERIOD	280	4,192,460	
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	281P	XXXXXXXXXXXXX	
Movements during the period		.....
Additions	8581	.....
Repayments	8591	.....
Amounts written down	8601	.....
Amounts written back	8611	.....
Exchange differences (+)/(-)	8621	.....
Other..... (+)/(-)	8631	.....
NET BOOK VALUE AT THE END OF THE PERIOD	281		
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8651		

	Code	Period	Previous Period
OTHER ENTERPRISES – PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8393P	XXXXXXXXXXXXX	288
Movements during the period			
Acquisitions, including produced fixed assets	8363	.....
Sales and disposals	8373	.....
Transfers from one heading to another..... (+)/(-)	8383	.....
Acquisition value at the end of the period	8393	288	
Revaluation surpluses at the end of the period	8453P	XXXXXXXXXXXXX	
Movements during the period			
Recorded	8413	.....
Acquisitions from third parties	8423	.....
Cancelled	8433	.....
Transferred from one heading to another (+)/(-)	8443	.....
Revaluation surpluses at the end of the period	8453	.....
Amounts written down at the end of the period	8523P	XXXXXXXXXXXXX	
Movements this year			
Recorded	8473	.....
Written back	8483	.....
Acquisitions from third parties	8493	.....
Cancelled owing to sales and disposals	8503	.....
Transferred from one heading to another (+)/(-)	8513	.....
Amounts written down at the end of the period	8523	.....
Uncalled amounts at the end of the period	8553P	XXXXXXXXXXXXX	
Movements during the period (+)/(-)	8543	.....
Uncalled amounts at the end of the period	8553	.....
NET BOOK VALUE AT THE END OF THE PERIOD	284	288	
OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS – AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	285/8 P	XXXXXXXXXXXXX	1,597
Movements during the period			
Additions	8583	.....
Repayments	8593	972	
Amounts written down	8603	.....
Amounts written back	8613	.....
Exchange differences (+)/(-)	8623	.....
Other..... (+)/(-)	8633	.....
NET BOOK VALUE AT THE END OF THE PERIOD	285/8	625	
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD	8653	.....

HOLDINGS**HOLDINGS AND OTHER INTERESTS IN OTHER COMPANIES**

List of both enterprises in which the enterprise holds a participating interest (recorded in the headings 280 and 282 of assets), and other enterprises in which the enterprise holds rights (recorded in the headings 284 and 51.53 of assets) in the amount of at least 10% of the capital issued

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, COMPANY NUMBER	Shares held by			Information from the most recent period for which annual accounts are available			
	Directly		Subsidiaries	Primary financial statement	Currency	Capital and reserves	Net result
	Number	%				%	(+ or -) (in currency)
METRIX BE 0870.565.793 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Variable	6,336	99		31-12.2010	EUR	162,459	1,841
SIBELGA OPERATIONS BE 0870.681.304 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Variable	752	99		31.12.2010	EUR	16,506	1,779
BRUSSELS NETWORK OPERATIONS BE 0881.278.355 Cooperative limited liability company Quai des Usines 16 1000 Brussels BELGIUM Fixed	98	98		31.12.2012	EUR	19,463	2,034

OTHER INVESTMENTS AND DEPOSIT, DEFERRED CHARGES AND ACCRUED INCOME (ASSETS)

OTHER INVESTMENTS AND DEPOSITS

Shares

Book value increased by uncalled amount

Uncalled amount

Fixed income securities

Fixed income securities issued by credit institutions

Fixed term deposit with credit institutions

Falling due

Less or up to one month

Between one month and one year

Over one year

Other investments not yet shown separately

Code	Period	Previous Period
51		
8681		
8682		
52	5,373,535	5,318,889
8684	5,373,535	5,318,889
53		
8686		
8687		
8688		
8689	26,080,643	15,967,031

DEFERRED CHARGES AND ACCRUED INCOME

Allocation of heading 490/1 of assets if the amount is significant

Management costs of liquidated pension capital

Management costs of liquidated interest capitalised

CREG bonus/penalty

Energy in meters

Period
123,130,867
11,964,561
21,963,894
1,177,158

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

STATEMENT OF CAPITAL

Social capital

Issued capital at the end of the period

Issued capital at the end of the period

Code	Period	Previous Period
100P	xxxxxxxxxxxxxx	428,237,826
100	554,798,977	

Changes during the period

Amounts written down on class A shares

New rights issue (class E shares)

Structure of capital

Different categories of shares

Class A shares

Class E shares

Registered shares

Bearer shares and/or dematerialized shares

Code	Amounts	Number of shares
	-170,000,649	0
	296,561,800	2,965,618

	258,237,177	16,425,734
	296,561,800	2,965,618

8702	xxxxxxxxxxxxxx	19,391,352
8703	xxxxxxxxxxxxxx	

Capital not paid up

Uncalled capital

Capital called but not paid

Shareholders having yet to pay up in full

Code	Uncalled capital	Capital called but not paid
101		xxxxxxxxxxxxxx
8712	xxxxxxxxxxxxxx	

Own shares

Held by company itself

Amount of the capital held

Number of shares held

Held by subsidiaries

Amount of the capital held

Number of shares held

Commitments to issue shares

Following the exercising of conversion rights

Amount outstanding convertible loans

Amount of the capital to be subscribed

Corresponding maximum number of shares to be issued

Following the exercising of subscription rights

Number of outstanding subscription rights

Amount of capital to be subscribed

Corresponding maximum number of shares to be issued

Authorized capital, not issued

Code	Period
8721	
8722	
8731	
8732	
8740	
8741	
8742	
8745	
8746	
8747	
8751	

Shares issued, not representing capital

Distribution

Number of shares held

Number of voting rights attached thereto

Allocation by shareholder

Number of shares held by the company itself

Number of shares held by its subsidiaries

Code	Period
8761	77,214
8762	77,214
8771	
8781	

SHAREHOLDER STRUCTURE OF THE COMPANY AT THE YEAR END AS IT APPEARS FROM THE NOTICES THE COMPANY HAS RECEIVED

PROVISION FOR OTHER RISKS AND CHARGES

ALLOCATION OF THE HEADING 163/5 OF LIABILITIES IF THE AMOUNT IS CONSIDERABLE

	Period
Prov. reconciliation 2004-2006	31,639,071
Prov. for bad debts and recovery	28,926,028
Provision rest-term	17,096,432
Prov. under recommendation C.C. (gas) 2003/13	5,379,552
Prov. for regulatory risks	21,520,105
Prov. for site cleanup	7,444,274

8981

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

	Code	Period
ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE FALLING DUE WITHIN ONE YEAR		
Amounts payable after more than one year falling due within one year		
Financial debts	8801	9,448,235
Subordinated loans	8811	
Unsubordinated debentures	8821	
Leasing and other similar obligations	8831	
Credit institutions	8841	9,448,235
Other loans	8851	
Trade debts	8861	
Suppliers	8871	
Bills of exchange payable	8881	
Advance payments received on work in progress	8891	
Other amounts payable	8901	12,098,378
Total amounts originally payable after more than one year, payable within one year	42	21,546,613
Amounts payable after more than one year, between one and five years		
Financial debts	8802	10,449,098
Subordinated loans	8812	
Unsubordinated debentures	8822	
Leasing and other similar obligations	8832	
Credit institutions	8842	10,449,098
Other loans	8852	
Trade debts	8862	
Suppliers	8872	
Bills of exchange payable	8882	
Advance payments received on work in progress	8892	
Other amounts payable	8902	45,402,857
Amounts payable after more than one year, between one and five years	8912	55,851,955
Amounts payable after more than one year, over five years		
Financial debts	8803	8,052,713
Subordinated loans	8813	
Unsubordinated debentures	8823	
Leasing and other similar obligations	8833	
Credit institutions	8843	8,052,713
Other loans	8853	
Trade debts	8863	
Suppliers	8873	
Bills of exchange payable	8883	
Advance payments received on work in progress	8893	
Other amounts payable	8903	65,629,633
Amounts payable after more than one year, over five years	8913	73,682,346

	Code	Period
AMOUNTS PAYABLE GUARANTEED		
Amounts payable guaranteed by Belgian public authorities		
Financial debts	8921	
Subordinated loans	8931	
Unsubordinated debentures	8941	
Leasing and other similar obligations	8951	
Credit institutions	8961	
Other loans	8971	
Trade debts	8981	
Suppliers	8991	
Bills of exchange payable	9001	
Advance payments received on contracts in progress	9011	
Remuneration and social security	9021	
Other amounts payable	9051	
Total amounts payable guaranteed by Belgian authorities	9061	

Amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets

Financial debts	8922
Subordinated loans	8932
Unsubordinated debentures	8942
Leasing and other similar obligations	8952
Credit institutions	8962
Other loans	8972
Trade debts	8982
Suppliers	8992
Bills of exchange payable	9002
Advance payments received on contracts in progress	9012
Taxes, remuneration and social security	9022
Taxes	9032
Remuneration and social security	9042
Other amounts payable	9052
Total amounts payable guaranteed by real guarantees given or irrevocably promised by the enterprise on its own assets	9062

AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY

Tax

Expired taxes payable	9072	
Non-expired taxes payable	9073	
Estimated taxes payable	450	565,888

Remuneration and social security

Amount due to the National Office of Social Security	9076	
Other amounts payable relating to remuneration and social security	9077	

ACCRUED CHARGES AND DEFERRED INCOME

Allocation of heading 492.3 of liabilities if amount is considerable

REG premiums	13,681,897
CREG bonus/penalty	15,965.547

OPERATING PROFITS

	Code	Period	Previous Period
OPERATING INCOME			
Net turnover			
Broken down by categories of activity			
Allocation into geographical markets			
Other operating income			
Total amount of subsidies and compensatory amounts obtained from public authorities	740		
OPERATING COSTS			
Employees recorded in the personnel register			
Total number at the closing date	9086		
Average number of employees calculated as full-time equivalents	9087		34.8
Number of actual hours worked	9088		53,319
Personnel costs			
Remuneration and direct social benefits	620		2,368,026
Employers' social security contributions	621		887,976
Employers' premiums for extra statutory insurances	622		609,307
Other personnel costs	623		130,715
Old-age and widow' pensions	624	21,996	21,816
Provisions for pensions			
Additions (uses and write-back) (+).(-)	635		
Amounts written off			
Stocks and work in progress			
Recorded	9110	146,166	
Written back	9111		
Trade debtors			
Recorded	9112		
Written back	9113		
Provisions for risks and costs			
Additions	9115	37,404,596	34,548,958
Uses and write-back	9116	19,250,655	9,913,327
Other operating costs			
Taxes related to operation	640	25,232	16,164
Other costs	641/8	10,237,400	4,783,662
Hired temporary staff and persons placed at the enterprise's disposal			
Total number at the closing date	9096		
Average number calculated in full-time equivalents	9097		0.1
Number of actual worked hours	9098	12	184
Charges to the enterprise	617	212	2,665

FINANCIAL AND EXTRAORDINARY PROFITS

FINANCIAL RESULTS

Other financial results

Amount of subsidies granted by public authorities, credited to income for the period

Capital subsidies

Interest subsidies

Breakdown of other financial profits

Capital gains on investments

Amounts written down off loan issue expenses and repayment premiums

Interests recorded as assets

Value adjustments to current assets

Appropriations

Write-backs

Other financial charges

Amount of the discount borne by the enterprise, as a result of negotiating amounts receivable

Provisions of a financial nature

Appropriations

Used and write-backs

Allocation of other financial charges

Code	Period	Previous period
9125		
9126		
	139,467	1,186,663
6501		
6503		
6510		
6511		
653		
6560		
6561		

EXTRAORDINARY RESULTS

Allocation other extraordinary income

Involvement in site cleanups

MIG and Smart Metering projects

Allocation other extraordinary charges

Site cleanup

MIG and Smart Metering projects

Transactional settlement between Electrabel end Sibelga

Period
1,463,190
240,576
963,567
2,668,351
1,253

INCOME AND OTHER TAXES

INCOME TAX

Income taxes on the result of the current period

Income taxes paid and withholding tax due or paid
 Excess of income tax advance payments and withholding tax recorded under assets
 Estimated additional tax

Income taxes on previous periods

Tax and withholding taxes due or paid
 Estimated additional taxes or provided for

In so far as income taxes of the current period are materially affected by differences between the profit taxes, as stated in the annual accounts, and the estimated taxable profit

Code	Period
9134	4,069,541
9135	3,503,653
9136	
9137	565,888
9138	0
9139	0
9140	

An indication of the effect of extraordinary results on the amount of income taxes relating to the current period

Sources of deferred tax

Deferred taxes representing assets
 Accumulated tax losses deductible from future taxable profits
 Other deferred tax representing assets

Deferred taxes representing liabilities
 Allocation of deferred taxes representing liabilities

Code	Period
9141	
9142	
9144	

TOTAL AMOUNT OF VALUE ADDED TAX AND TAX BORNE BY THIRD PARTIES

The total amount of value added tax charged

To the enterprise (deductible)
 By the enterprise

Amounts retained on behalf of third parties for

Payroll withholding taxes
 Withholding taxes on investment income

Code	Period	Previous period
9145	64,466,819	67,309,648
9146	103,023,167	94,696,371
9147	48,922	1,155,628
9148	8,509,058	2,801,416

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

PERSONAL GUARANTEES GIVEN OR IRREVOCABLY PROMISED BY THE ENTERPRISE AS SECURITY FOR DEBTS AND COMMITMENTS OF THIRD PARTIES

Of which

Bills of exchange in circulation endorsed by the enterprise

Bills of exchange in circulation drawn or guaranteed by the enterprise

Maximum amount for which other debts or commitments of third parties guaranteed by the enterprise

REAL GUARANTEES

Real guarantees given or irrevocably promised by the enterprise on its own assets as a security for debts and commitments from third parties

Mortgages

Book value of immovable properties mortgaged

Registration value

Pledging on goodwill – amount of registration

Pledging of other assets – Book value of other assets pledged

Security provided on future assets – Value of assets involved

Real security given or pledged irrevocably by company on its own assets as security for debts and commitments from third parties

Mortgages

Book value of the real properties mortgaged

Registration value

Pledging on goodwill – amount of registration

Pledging of other assets – Book value of other assets pledged

Security provided on future assets – Value of assets involved

GOODS AND VALUES, NOT DISCLOSED IN THE BALANCE SHEET, HELD BY THIRD PARTIES IN THEIR OWN NAME BUT AT RISK TO AND FOR THE BENEFIT OF THE ENTERPRISE

SUBSTANTIAL COMMITMENTS TO ACQUIRE FIXED ASSETS

SUBSTANTIAL COMMITMENTS TO DISPOSE OF FIXED ASSETS

FORWARD TRANSACTIONS

Goods purchased (to be received)

Goods sold (to be delivered)

Currencies purchased (to be received)

Currencies sold (to be delivered)

INFORMATION RELATING TO TECHNICAL GUARANTEES, IN RESPECT OF SALES OR SERVICES

Long-term guarantees given to various municipalities.

Guarantees given by various suppliers.

Guarantee following the agreement between Electrabel and ex-Interga on liquidated pension costs by way of capital in favour of staff formerly engaged in distribution activities in the inter-municipal area.

Customers' deposits on equipment hired.

Leasing guarantees.

Book values adjusted for installations received on a usufruct basis.

Code	Period
9149	
9150	
9151	
9153	
9161	
9171	
9181	
9191	
9201	
9162	
9172	
9182	
9192	
9202	
9213	
9214	
9215	
9216	

INFORMATION CONCERNING IMPORTANT LITIGATION AND OTHER COMMITMENTS NOT MENTIONED ABOVE

FULL DETAILS OF SUPPLEMENTARY RETIREMENT OR SURVIVORS' PENSION ESTABLISHED IN FAVOR OF THE PERSONNEL OR EXECUTIVES OF THE ENTERPRISE AND STEPS TAKEN TO COVER CHARGES

Pension commitments to directors and supervisory board members of former inter-municipal agencies

PENSIONS FUNDED BY COMPANY

Estimated amount of the commitments resulting from past services

Methods of estimation

Code	Period
9220	

NATURE AND BUSINESS PURPOSE OF OFF-BALANCE-SHEET ARRANGEMENTS

Provided the risks or benefits arising from such arrangements are material and where the disclosure of such risks or benefits is necessary for assessing the financial position of the company; if required, the financial impact of these arrangements have to be mentioned too:

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Code	Period	Previous Period
AFFILIATED ENTERPRISES			
Financial fixed assets	280/1	4,192,460	4,192,460
Investments	280	4,192,460	4,192,460
Amounts receivable subordinated	9271		
Other amounts receivable	9281		
Amounts receivable	9291	140	377,251
After one year	9301		
Within one year	9311	140	377,251
Cash investments	9321		
Shares	9331		
Amounts receivable	9341		
Amounts payable	9351	23,128,355	19,371,280
After one year	9361		
Within one year	9371	23,128,355	19,371,280
Personal and real guarantees			
Provided or irrevocably promised by the enterprise, as security for debts or commitments of affiliated enterprises	9381		
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise	9391		
Other substantial financial commitments	9401		
Financial results	9421	5,311	5,078
Income from financial fixed assets	9431		
Income from current assets	9441		
Other financial income	9461		
Debt charges	9471		
Other financial charges			
Gains and losses on disposal of fixed assets			
Obtained capital gains	9481		
Incurred capital losses	9491		
COMPANIES LINKED BY PARTICIPATING INTERESTS			
Financial fixed assets	282/3		
Investments	282		
Amounts receivable subordinated	9272		
Other amounts receivable	9282		
Amounts receivable	9292	1,428,392	1,125,544
After one year	9302		
Within one year	9312	1,428,392	1,125,544
Amounts payable	9352	134,717,291	148,066,986
After one year	9362	111,032,489	123,130,867
Within one year	9372	23,684,802	24,936,119

TRANSACTIONS WITH RELATED COMPANIES OUTSIDE NORMAL MARKET CONDITIONS

Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company:

Period

FINANCIAL RELATIONSHIPS WITH

DIRECTORS AND MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS

Amounts receivable from those persons

Code	Period
9500	

Conditions on amounts receivable

Guarantees provided in their favour

Guarantees provided in their favour – Main condition

Other significant commitments undertaken in their favour

Other significant commitments undertaken in their favour – Main condition

Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To directors and managers

To former directors and former managers

9501	
9502	
9503	368,437
9504	7,584

AUDITORS AND PEOPLE THEY ARE LINKED TO

Auditors' fees

Fees for exceptional services or special missions executed at the company by the auditors

Other attestation missions

Tax consultancy

Other missions external to the audit

Fees for exceptional services or special missions executed at the company by people they are linked to

Other attestation missions

Tax consultancy

Other missions external to the audit

Code	Period
9505	26,675
95061	
95062	
95063	
95081	
95082	
95083	

Mention related to article 133 paragraph 6 from the Companies Code

STATEMENT CONCERNING CONSOLIDATED ACCOUNTS

Information to be provided by each enterprise, which is subject to the provisions of the Companies Code concerning consolidated annual accounts of companies

The enterprise has not produced a consolidated annual account and management report, because it is exempted from doing so for the reasons below:

The company itself is the subsidiary of a parent company which produces and publishes consolidated accounts in which its annual accounts are included by way of consolidation.

If so, show that exemption requirements have been met as provided for under Article 113 paras. 2 and 3 of the companies code.

Under Article 113 § 2 (2), we hereby declare that SCRL INTERFIN holds 74.59% of the shares in the capital of Sibelga consolidated by integrating all matters relating to our inter-municipal agency in its consolidated accounts.

Name, full address of the registered offices and, for an enterprise governed by Belgian Law, the company number of the parent company which prepares and publishes the required consolidated annual accounts:

INTERFIN SCRL
BE 0222.944.897
Quai des Usines 16
1000 Brussels
BELGIUM

INFORMATION TO BE DISCLOSED BY COMPANY BEING A SUBSIDIARY OR JOINT SUBSIDIARY

Name, full address of the registered office and, for an company governed by Belgian Law, the company number of the parent company and the indication if this parent company prepares and publishes a consolidated annual account, in which her annual account is included by consolidation :

INTERFIN SCRL
Consolidating parent company – Smallest aggregate
BE 0222.944.897
Quai des Usines 16
1000 Brussels
BELGIUM

* If the company's annual accounts are consolidated at different levels, give this information for the largest and smallest aggregates of companies to which the company belongs as a subsidiary and for which consolidated accounts are produced and published

SOCIAL BALANCE SHEET

Numbers of joint committees authorised for the enterprise:

326

Statement of persons employed

Employees entered in personnel records

This period and previous period

	Code	1. Full-time <i>Period</i>	2. Part-time <i>Period</i>	3. Total (T) or total in full time equivalents (FTEs) <i>Period</i>	3P. Total (T) or total in full time equivalents (FTEs) <i>Period</i>
Average number of personnel	100			VTE	34.8 VTE
Number of hours actually worked	101			T	53,319 T
Labour costs	102			T	4,017,840 T
Value of benefits on top of remuneration	103	XXXXXXXX	XXXXXXXX	T	T

At the end of the year

Number of employees entered in personnel records

By contract of employment type

- Indefinite contract
- Fixed-term contract
- Contract for specified work
- Replacement contract

By gender and educational level

- Men
 - Basic education
 - Secondary education
 - Higher non-university education
 - University education
- Women
 - Basic education
 - Secondary education
 - Higher non-university education
 - University education

By occupational status

- Management
- Salaried personnel
- Workers
- Others

	Code	1. Full-time	2. Part-time	3. Total in FTEs
	105			
	110			
	111			
	112			
	113			
	120			
	1200			
	1201			
	1202			
	1203			
	121			
	1210			
	1211			
	1212			
	1213			
	130			
	134			
	132			
	133			

Temporary personnel and persons placed at the enterprise's disposal

During the period

Average number of persons employed
 Number of hours actually worked
 Charges to the enterprise

Codes	1. Temporary personnel	2.
150		
151	12	
152	212	

Personnel movements during the period

Joined

Number of employees entered in personnel records during the period

By contract of employment type

Indefinite contract
 Fixed-term contract
 Contract for specified work
 Replacement contract

Codes	1. Full-time	2. Part-time	3. Total FTEs	in
205				
210				
211				
212				
213				

Number of employees with dates entered in personnel records on which their contracts ended during the period

By contract of employment type

Indefinite contract
 Fixed-term contract
 Contract for specified work
 Replacement contract

By reason for terminating contract

Retirement
 Early retirement
 Resignation
 Other reasons
 Of which: Number of employees who remain hired to the enterprise as freelancers on a half-time basis or more

Codes	1. Full-time	2. Part-time	3. Total FTEs	in
305				
310				
311				
312				
313				
340				
341				
342				
343				
350				

Personnel training during the period

Total amounts of formally continuing vocational training initiatives covered by the employer

- Number of employees involved
- Number of training hours attended
- Net cost to enterprise
 - Of which gross costs linked directly to training
 - Of which contributions paid and payments to collective funds
 - Of which allowances received (reduction)

Total amounts of less formal and informal continuing vocational training initiatives covered by employer

- Number of employees involved
- Number of training hours attended
- Net cost to enterprise

Total amounts of initial vocational training initiatives covered by employer

- Number of employees involved
- Number of training hours attended
- Net cost to enterprise

Codes	Men	Codes	Women
5801		5811	
5802		5812	
5803		5813	
58031		58131	
58032		58132	
58033		58133	
5821		5831	
5822		5832	
5823		5833	
5841		5851	
5842		5852	
5843		5853	

VALUATION RULES

1. TANGIBLE FIXED ASSETS

Acquisition value:

Tangible fixed assets are booked to the assets side of the balance sheet at their acquisition or cost price or input value.

Ancillary costs:

Ancillary costs are included in the acquisition value of the tangible assets concerned. They include in particular non-deductible VAT which was charged on investments up to 30 June 1980. Ancillary costs are written down at the same rate as the installations to which they relate.

Third party involvement:

Third party involvement in funding tangible assets are deducted from their acquisition value. They are also deducted from the depreciation base of those installations.

Depreciation:

Depreciation is applied on a linear basis. Installations subject to depreciation are those as they exist as at 31 December of the financial year in question

The depreciation rates used are as follows:

- * 0% on land under heading Tangible Fixed Assets – Land and Buildings
- * 2% on constructions under heading Tangible Fixed Assets – Land and Buildings
- * 2% on low- and medium-voltage cables under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 2% on low- and medium-voltage ducting under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 10% on Automatic Meter Reading meters under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 10% on cogeneration installations under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 3% on other assets under heading Tangible Fixed Assets – Plant, Machinery and Equipment
- * 20% on vehicles under heading Tangible Fixed Assets – Furniture and Vehicles
- * 33.33% on IT hardware under heading Tangible Fixed Assets – Furniture and Vehicles
- * 10% on other assets under heading Tangible Fixed Assets – Furniture and Vehicles
- * 20% on radiators hired under heading Tangible Fixed Assets – Other Tangible Fixed Assets

Initial difference between the RAB and book value of tangible fixed assets:

Until the end of 2009, tangible fixed assets were valued as the assets on the balance sheet at book value (i.e. acquisition value less depreciation) reviewed in accordance with the exemption obtained from the Ministry of Economic Affairs on 22 November 1985.

Since the start of 2003, Sibelga's business has been refocused as a consequence of the liberalisation of the electricity market and its position as DSO for electricity and gas.

In setting grid tariffs, Sibelga is required to draw up proposals which it submits to the CREG for approval. The proposed tariffs must comply with the guidelines issued by the CREG on tariff policy and fair profit margins. The tariffs provide a fair return on capital invested based on a rate ('WACC: weighted average cost of capital') obtained from a theoretical funding structure based on 1/3 equity and 2/3 debt, irrespective of what the DSO's financial structure actually is.

The capital invested consists of the regulated tangible fixed assets (RAB), ~~plus or minus working capital~~.²⁸

The initial value of the capital invested (iRAB) is based on a technical inventory of the tangible fixed assets valued at their economic value as at 31.12.2001 for tangible electricity assets and as at 31.12.2002 for tangible gas assets [plus or minus the Need for Net Working Capital].

The tariff orders require the RAB to be adjusted using the formula below:

$RAB_n = iRAB + investment_n - depreciation_n - decommissionings_n [+ alterations of the Need for Net Working Capital_n - a portion of the RAB Excess Value_n - contributions from third parties and subsidies_n]$.²⁹

The CREG insists that it must be able to reconcile the RAB in tariffs proposed with the DSO's accounts at any time.

Sibelga has decided to include RAB in its accounts as of 2010, and has therefore:

Cancelled the historical added values in its accounts

Booked the difference between the RAB and the book value of the tangible fixed assets (not reviewed) as at 31.12.2009. This difference, called revaluation RAB Excess Value is booked to the individual tangible fixed assets headings.

Article 5 §1 of the Royal Decree of 2 September 2008 requires the proportion of the RAB Excess Value for equipment decommissioned during the course of the year in question to be deducted from RAB annually. This reduction in added value is included in costs at a rate of 2% p.a. in the first regulatory period (2009-2012). At the end of the third year of each regulatory period, the rolling average is determined based on the four previous years. This rolling average then applies to the next regulatory period.

Sibelga applies this provision from the financial year 2010.

²⁸ This was mistakenly included in the official version of the published annual accounts. Please refer to paragraph (iii) *Fair profit margin* on pages 45-47 of the Prospectus for information on the exact calculation of the RAB in accordance with the Tariff Decrees.

²⁹ This was not included in the official version of the published annual accounts and was therefore added for the sake of clarity. Please refer to paragraph (iii) *Fair profit margin* on pages 45-47 of the Prospectus for information on the calculation of the RAB in accordance with the Tariff Decrees.

2. STOCK

Withdrawals from stock are valued at their average weighted price.

It is proposed to complete this rule based on a stock take conducted at least once a year.

Products which have not moved for more than 12 months are subjected to systematic examination:

* If they are unusable, they are written down 100%;

* If they can be used but the stock exceeds five years' consumption, they will be written down at least 50%.

In all other cases, products will retain their original value.

3. RECEIVABLES AT UP TO ONE YEAR

Receivables under this heading are included at their nominal value. They consist in particular of receivables due from customers and local authorities for energy supplies, works and sundry items. They are reduced to cover those regarded as irrecoverable, including those assigned to known insolvencies.

These bad debts are included in the profit and loss account in full (other operating costs); should any proportion of them then be recovered, the amount recovered is then included in the profit and loss account (other operating income).

4. PROVISION FOR RISKS AND CHARGES

This provision is decided by the Board.

5. LIABILITIES AT OVER ONE YEAR AND UP TO ONE YEAR

Amounts under these headings are shown at their nominal value.

6. DEFERRED ACCOUNTS

Deferred asset accounts comprise the management costs billed to the inter-municipal agency by the company involved under statutory regulations and/or decisions by management bodies. These charges correspond to liquidated pension costs by way of capital in favour of its staff formerly assigned to distribution work in the territory of the inter-municipal agency.

Under the principle of time-matching income and charges, the charges borne by the inter-municipal agency are spread over a period not exceeding 20 years.

ANNUAL REPORT

Dear sir or madam,

As required by the law and articles of association, we have pleasure in presenting you with our report on our company's business in its thirtieth financial year and presenting the balance sheet and profit and loss account as at 31 December 2010, the notes and proposed application of the profits as required under Article 64 of the articles of association for your approval.

I. Opening remarks

While Sibelga is reporting on its business for our twenty-ninth financial year, this is in fact our eighth financial year in its form as created by combining the network management operations for the Brussels Capital Region and our fifth in the fully deregulated environment.

- Since the electricity and gas market was deregulated completely, the inter-municipal agency has focused on its business as distribution network manager, and its turnover now consists more or less exclusively of network utilisation charges paid by suppliers (Grid Fee).

Discontinuing the business of selling to captive inter-municipal agency clients may still affect the results by recovering counterparty receivables and by using or taking up commission for risks and costs.

- The inter-municipal agency notes the decision of the Commission Regulating Electricity and Gas (CREG) on determining a bonus or penalty for the tariffs Sibelga used in the financial year 2009. This resulted in an operating loss of € 3,051,699.93, which breaks down as follows:

- A profit on electricity operations of € 2,924,285.15
- A loss on gas operations of € 5,975,985.08

These amounts are part of the cumulative balances, the allocation of which will be determined by Ministerial decision in 2012 on the advice of CREG. They may be recovered from 2013 onwards as part of the long-term tariff proposals 2013 - 2016.

- By way of reminder, CREG approved the inter-municipal's long-term tariff proposals 2009-2012 on 1 October 2009. The delays in this approval obliged the inter-municipal to maintain its tariffs at unindexed 2008 levels for the first nine months of 2009, except exceptions covered expressly by the Brussels order, such as public services (rights Article 26 of the order) and roadworks charges, for which indexation was formally resumed. Freezing the tariffs for the first nine months of 2009 makes it difficult to compare them with the 2010 financial year.

II. Salient facts

1. CREATION OF NEW CLASS E SHARES

- To ensure we can implement our programmes of investment, and given our dividend policy, Sibelga is facing a structural self-funding deficit which must therefore be covered by debt.
- To cover this funding requirement, we have called on our shareholders, and Interfin in particular, which has surplus liquidity which could be used. This is an interesting investment opportunity for Interfin with very little risk and entirely within its objects, which include in particular funding Sibelga by way of new rights issues and any other means.
- With this in mind, Sibelga has created a new class of share capital as of 1 December 2010 (class E shares). All shareholders had the right to subscribe for these new class E shares on a pro rata basis in proportion to the number of class A shares they each held on the date on which the new shares were created.
- Returns on class E shares are guaranteed under the regulations and tariff regulator for fair returns on capital invested. Under tax legislation, dividends paid to Interfin are exempt from variable input tax. These returns maintain a balance amongst the shareholders; and, whatever subscription rights are exercised, all shareholders will benefit from creating the new shares, first, through increasing the fair return and reducing the financial costs and, second, by increasing borrowing capacity.
- Class E shares are non-voting, and carry no option rights to subscribe for class A shares, to ensure that creating such shares does not affect the existing balance between the public sector shareholders and the private company.
- As the class E shares are part of the company's variable capital, issuing them is decided by Sibelga's Board once a year. The calls made each year depend solely on the funding requirements to be covered, subject to a maximum ceiling authorised by the general meeting for the current tariff period. For the period 2009-2012, in view of the projections in Sibelga's long-term funding plan, this ceiling was set at € 148 m. A first tranche of € 10 m class E shares was created with a view to covering these requirements in electricity. These were subscribed for entirely by Interfin, the private company not exercising its voting rights.
- As well as the idea of creating the class E shares and the private company shareholder's request, the general meeting resolved effective as of 1 December 2010 to:
 - Reduce the capital subscribed for by way of class A shares by € 170,000,649.24, without reducing the number of class A shares, by reducing the paid up value of each class A share;;
 - Distribute the available reserves, or € 116,561,213, by way of an interim dividend.This cash output was covered entirely by creating the class E shares, subscribed for exclusively by Interfin (the private company not having exercised its right to subscribe).
- Once the private company resigns as of 31 December 2012, and Interfin buys the substantive class A2 shares it holds, the Board of Sibelga may decide to convert the class E shares to class A1.

2. ENTERING THE R.A.B. (REGULATORY ASSET BASE) IN THE BALANCE SHEET ASSETS

This has taken the value of our tangible assets from € 801,796,001.72 in 2009 to € 1,063,975,978.29 in 2010.

By the end of the financial year 2009, the value of the tangible assets making up the inter-municipal's distribution network (technical installations: land, buildings and equipment) was equal to the book value revised in accordance with the exemption from the provisions of Article 34 of the Royal Decree of 8 October 1976 as amended by Article 29 of the Royal Decree of 12 September 1983 granted by the Ministry of Economic Affairs on 22 November 1985.

From the financial year 2010, under the CREG guidelines of 18 June 2003 on the fair profit margins for gas and electricity transmission and distribution network managers, the provisions below were applied:

"Electricity and natural gas transmission and distribution network managers who have a technical inventory of their tangible assets in accordance with their accounts and making it possible to verify that they comply with their actual tangible assets (by identifying assets, for example) may value their investments in tangible assets based on their financial replacement value as at 31 December 2001 (electricity) and 2002 (gas). This financial replacement value is based on current unit prices in force, based on current technology, for components required for regulated activities. Depreciation on these initial replacement values, in terms of percentages, residual value and application, are the same as used by gas and electricity transmission and distribution network managers in the past.

The value thus obtained, plus or minus nominal working capital, constitutes the initial value of the capital invested (iRAB). This iRAB value is reduced by any investment subsidies received over the same period."

The valuation rules used (cf. notes to annual accounts) indicate how these tangible assets and their added value are dealt with.

In return for the changes in tangible assets in the balance sheet assets, we find a revaluation added value in the balance sheet liabilities as follows:

- Financial year 2009: € 35,321,409.00
- Financial year 2010: € 255,645,618.51

3. RISK COVER

Sibelga continued its prudent risk cover policy, which is reflected in a significant increase in provisions for risks and costs, amounting to:

- € 90,956,214.95 for the financial year 2009;
- € 113,754,617.53 for the financial year 2010.

The risks these provisions cover in particular are as follows:

- Operating risks which relate to buying primary energy for the ex-captive market before the liberalisation of the market and the corresponding allocation-reconciliation
- Counterparty for moneys due to the distribution network manager;
- Adjustments involved in the uncertainty as to approving and allocating regulatory balances (due);
- Others such as site cleanups.

III. Analysing differences between actual 2010 and budget/tariff standards

The profit on the year came to **€ 57,941,897,55**, derived from our activities:

- Ex-supply: € 1,457,032.62, involving recovering old commercial moneys due and on changes to provisions;
- Networks: € 56,394,864.93, from activities as follows:
 - o Non-regulated: € 538,269.22, on activities, mainly the marginal 'radiators' activity and a leftover from our 'public lighting activity';
 - o Regulated: € 56,933,134.15, constituting our core business.

These results break down over our activities as follows:

	<u>Electricity</u>	<u>Gas</u>
• Fair profit margin 2010	€ 22,762,763.05	€ 22,483,615.65
• Balances manageable costs 2010 (	€ 5,682,832.68	€ 5,711,306.11
• Balances manageable costs 2011 (	€ 18,889,941.75	€ -4,474,846.99
TOTAL	€ 47,335,537.38	€ 23,720,074.77

NOTES TO THE HEADINGS

- fair profit margin is determined using the formula as laid down in the tariff orders.
- The balances are discrepancies between reality and budget/tariff standards. They are either:
 - Manageable costs, which are the operating and management costs where we control the commitments. As matters currently stand, the balances for manageable costs are positive, which means that actual costs remained within the authorised tariff budget in both 'electricity' and 'gas';
 - Non-manageable costs, which are mainly
 - Extraordinary income and expenditure;
 - Financial costs (embedded costs);

- Writedowns;
- The fair profit margin;
- The public service obligations;
- Supplementary charges and levies such as gas tax and pension costs;
- Volume differences (receipts);
- Cost of losses incurred.

In the present case, the balances of non-manageable costs of the electricity activities constitute an excess received (debt) compared with the market. The balances of non-manageable costs of the gas activities constitute a shortfall in earnings (receivable) compared with the market.

All these headings together give a current regulated profit of € 71,055,612.25.

This is made up for by settlements, cover for risks and changes to provisions for establishing balances at a total value of - € 14,122,478.10. That takes the regulated profit to € 56,933,134.15.

NOTES ON TRENDS

- The fair profit margin was pushed down, mainly because of the changes to the OLO 10 year rate, which is one of the main parameters in the payment formula.

On margin, our investments were less than the tariff budget lodged with the regulator (see below), which reduces the payment base.

- The balances of manageable costs came:
 - On the one hand, from the wages bill (less costs and staff less than forecast);
 - On the other hand, from projects which could not be initiated within the time allowed.
- The costs involved in cleaning up sites were a burden on exceptional costs.
- Financial costs were less than forecast, as less funding was required (cf. investments) and as interest rates were low.

Depreciation was down, mainly because not all the investments involved went ahead, due amongst other things to difficult winter conditions.

- Gas tax was pushed up following distributing available reserves during the year.
- The differences in volume (receipts) show the gas Grid Fee went down while infeed volumes went up. This apparent contradiction can be explained by settlements on past financial years, not taking account of metered energy (consumed but not read) and switching internally between tariffs.

As far as the electricity Grid Fee is concerned, the notes on settlements and energy in the meter also apply but less so. On the other hand, internal movements towards more remunerative low voltage tariffs are pushing the Grid Fee up.

SUMMARY

Our analysis shows that the profit for the financial year 2010 breaks down as follows:

• Fair profit margin 'electricity'	€ 22,762,763.05
• Fair profit margin 'gas'	€ 22,483,615.65
• Allocation of balances manageable costs 2009	
'Electricity' operations	€ 8,007,523.62
'Gas' operations	€ 5,229,683.92
Following decision by CREG	
• Settlements and changes to provisions 2010	
on non-manageable costs	
'Electricity (takeup)	€ 2,924,394.90
'Gas' (transfer)	€ - 4,474,846.99
Regulated result	€ 56,933,134.15
Non-regulated result	€ - 538,269.22
Profit ex-supply	€ 1,547,032.62
Profit on year	€ 57,941,897.55

IV. Annual report under Articles 95 and 96 of the Companies Code

1. NOTES TO THE ANNUAL ACCOUNTS TO GIVE A TRUE AND ACCURATE PICTURE OF THE COURSE OF THE COMPANY'S BUSINESS AND ITS SITUATION

Overall, taking all sectors together, Sibelga made a profit of € 57,941,897.55, as against € 43,099,120.15 in the previous year. This increase was due mainly to the CREG's decision in favour of allocating balances of manageable costs for the financial year 2009 over and above the fair profit margin for 2010. The profits were also influenced by adjustments to provisions covering the risks above.

Turnover was € 313,428,609.32, compared with € 307,236,018.42 in the previous year. This increase was due to the increase in tariffs in 2010 compared with those in 2009 which were frozen at 2008 levels for the first nine months. It was also affected by bonus/penalty adjustments to the balances for non-manageable costs for 2010.

This turnover was supplemented by other operating income which went from € 40,278,221.26 in 2009 to € 68,228,052.66 in 2010. This increase can be explained by two extraordinary subsidies from the Brussels region worth € 18,999,771.09 and recoveries on invoice fraud, broken seals, forgotten meters, fairs and festivities and others.

The turnover as made plus other operating income must enable the inter-municipal to cover its costs.

1.1. Electricity operations

- During the year ended, Sibelga invoiced distribution network charges (GRID FEE) to suppliers of deregulated customers. This covered 615,351 active supply points (EAN).

Distributed volume was 5,273,167,840 kWh, down 1.29% on the previous year. It should be noted that metered energy (consumed but not read) was not included at this stage.

This distributed volume enabled the inter-municipal to invoice € 204,199,074.42 (including road charges to the value of € 22,757,154.88), an increase of 9.81%.

This increase was not influenced by the volumes distributed, but by the 2010 tariffs and sliding tariffs from high to low tension.

- By way of reminder, these tariffs were frozen for the 2009 financial year at 2008 levels (non-indexed) until the long-term tariffs were approved on 01.10.2009.

- Operating costs were up 4.04%. It should be noted that these cover both electricity and gas operations.

Let us now look at the various items involved in these costs:

Supplies and merchandise

These were down 21.11%. To comply with the law on public contracts, they are based on the most favourable financial terms, subject to the technical criteria used in the specifications.

A number of favourable factors were involved, as follows:

- The financial reconciliation between the players in the deregulated market for the financial year 2007 which was not a burden on costs, unlike in previous years;
- Covering electricity losses funded on more favourable terms;
- Cogeneration.

Miscellaneous goods and services

These were up 15.53%. They comprise the management invoice of subsidiary B.N.O, which was up 5.75%.

We should note that this cost now covers the inter-municipal's staff transferred to B.N.O. on 1 October 2009, which was booked under this heading.

The group's pension and insurance funds for which B.N.O. is responsible were also refinanced beyond the requirements of the C.B.F.A. (Banking, Finance and Insurance Commission).

Pay, social security and pensions

This heading virtually disappeared in 2010, after the staff were transferred to B.N.O. on 1 October 2009 (see above).

Depreciation

This was down 5.20%. This reduction only applies insofar as entering the RAB in the balance sheet assets involves an added value, depreciation on which is included under 'Other operating costs', unlike the added value booked until end 2009, which was included under this heading.

This depreciation was applied in accordance with the CREG guidelines on fair profit margin for electricity transmission and distribution networks in Belgium, without prejudice to the provisions of the law on company accounts.

Writedowns on stock

These reflect permanent adjustments to the value of stock based on the inter-municipal's operations and economic reality.

Provision for risks and costs

These cover risks and costs, and are up slightly on the previous year.

The level of coverage overall reflects the inter-municipal's extremely prudent policy.

Other operating costs

This heading includes the costs of depreciation on the added value for RAB as stated above.

* Operating profit was € 41,748,062.88, as against € 31,216,542.23 in 2009.

* Net financial income/expenditure was a cost, at € 3,018,037.37, as against € 3,291,482.25 in 2009. The company's policy is to redeem current loans (on which the rate has already been renegotiated) without any re-employment indemnity and invest surplus cash flow at the best risk-free rate. Given that the structural self-funding deficit has an adverse effect on cash flow, operations were refinanced at the year end via the treasury note programme and via a new rights issue (class E shares) to refinance electricity operations (see above). This had virtually no impact on financial costs as at the year end.

* Extraordinary income/expenditure

This was a cost of € 4,502,682.34, compared with € 2,043,049.97 in the previous financial year.

Apart from adjusting existing provisions, costs under this heading were increased by projects the market imposes on the inter-municipal such as Smart Metering and MIG and cleaning up sites.

* So the profits from electricity operations came to € 34,225,376.35 as against € 25,879,414.31 in 2009, on a turnover of € 192,445,677.74 compared with € 194,978,711.54 in 2009.

This profit breaks down into € 14,217,356.32 for the 'Road' sector and € 20,008,020.03 for the 'Quay' sector.

* The dividend policy involves granting municipalities as a whole an income consisting of the Sibelga road charge and the Interfin dividend to ensure there is a balance between earnings granted at the end of the present financial year and those granted previously. This involves Sibelga paying a dividend which is largely in line with budget and tariff forecasts. No changes are proposed in terms of available reserves.

1.2. Profits from Gas operations

In the financial year just ended, Sibelga invoiced distribution network usage charges (GRID FEE) to suppliers of deregulated customers.

This involves 416,916 active supply points (EAN).

Volume distributed came to 10,971,249,266 kWh, up 1.98%.

There were 2703 degree days in the financial year, as against 2212 in the previous year.

This was 11.93% up on the seasonal norm of 2415.

We would also note that downward corrections on past financial years were made in 2010, on the other hand, as for electricity operations. Metered energy was not taken into account at this stage.

The volumes distributed enabled the inter-municipal to invoice € 117,169,542.85 (including the road charge at € 11,544,902.94), which is an increase, accentuated by freezing tariffs at 2008 levels for the first nine months of the previous year.

Turnover made plus other operating income must cover costs.

* The notes on operating costs are the same as for electricity operations.

* The operating profit was € 32,134,166.23, as against € 20,462,879.29 in 2009.

* Net financial income/expenditure was a cost, at € 1,571,912.25, as against a profit of € 1,166,021.23 in 2009. This situation was due to the structural self-funding deficit which has an adverse effect on cash flow. We would also note that interest rates were historically low during the past financial year, which reduced the adverse effect.

* Extraordinary profit

This was a cost, at € 2,935,241.09, compared with € 1,367,291.06 for the previous financial year. The notes are the same as for electricity operations.

* Profits on gas operations thus came to € 23,716,521.20 in 2010, compared with € 17,219,705.84 in 2009, on a turnover of € 120,729,243.16 compared with € 112,257,295.88 in 2009.

These profits break down into € 10,581,494.60 for the Roads sector and € 13,135,026.60 for Quays.

* The dividend policy involves granting municipalities as a whole an income consisting of the Sibelga road charge and the Interfin dividend to ensure there is a balance between earnings granted at the end of the present financial year and those granted previously. This involves Sibelga paying a dividend which is largely in line with budget and tariff forecasts. No changes are proposed in terms of available reserves.

2. MAJOR EVENTS SINCE THE YEAR END.

Sibelga, Electrabel and ECS reached a settlement on 17 March 2011 relating to commercial disputes over captive and deregulated markets. Allowing for risk cover, this had a favourable effect on Sibelga's profits. The cash out was € 1,423,569.80.

3. CIRCUMSTANCES LIABLE TO HAVE A SIGNIFICANT INFLUENCE ON THE COMPANY'S DEVELOPMENT

The Smart Metering project is currently the subject of a business case to be presented to the Brussels governments. Indications are it will have a major impact on future investment programmes.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

N/A.

5. BRANCHES OF THE COMPANY

N/A.

6. THE BALANCE SHEET SHOWS A LOSS CARRIED OVER OR THE PROFIT AND LOSS ACCOUNT SHOWS A LOSS ON THE YEAR FOR TWO CONSECUTIVE FINANCIAL YEARS

N/A.

7. INFORMATION REQUIRED UNDER THE PRESENT CODE

N/A.

8. USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

As the inter-municipal still had surplus cash flow over the financial year, it pursued a due commercial care policy, investing these surpluses in cash unit trusts where the risks are extremely low (AAA or AA rated). It also benefitted from the new rights issue (class E shares) of 1 December 2010 to the value of € 10,000,000.

That completes our notes to the annual accounts for 2011.

In conclusion, we would ask you to adopt the annual accounts as presented.

V. Administration and governance

ELECTIONS

You will be asked at this general meeting to elect:

- A director to take up the office previously held by Monsieur Emmanuel VERHEGGHEN, outgoing; the company has nominated Monsieur Bernard PHILIPPART DE FOY to replace him.
- A director to take up the office previously held by Monsieur Christophe DUPONT, outgoing; the company has nominated Monsieur Marc FRANCHIMONT to replace him.

EXONERATION

We would ask you to vote specifically to exonerate your directors, supervisory board members and auditors from liability in the performance of their offices during the financial year 2011.

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If you approve the balance sheet, profit and loss account notes and the application of profits, the dividends due to shareholders will be paid at the end of June 2011.

Brussels, 2 May 2011

THE BOARD

AUDITORS' REPORT

Dear sir or madam,

We have pleasure in reporting on our control and audit duties for the financial year 2010.

We have examined the annual accounts as at 31 December last. We have examined the various entries involved and found that they agree perfectly with the books of the company. The directors and officers of the company have also given us all the explanations and information we requested.

We have found that the books and annual accounts have been produced in accordance with current laws and regulations in force.

We believe the annual accounts give a true and accurate picture of the company's assets, financial position and results in accordance with the laws and regulations governing them, and that the supporting details as given in the notes are sufficient.

The directors' report contains the information required by law and is in accordance with the annual accounts.

The application of the profits as proposed is in accordance with the articles of association and legal requirements.

We did not find any transactions concluded or decisions taken contrary to the articles of association or Companies Code.

We therefore have pleasure in advising that you adopt the annual accounts as presented by the Board.

We have no reservations or objections to make against them.

Before ending this report, we have pleasure in thanking Monsieur A. Serckx, the auditor, for all the assistance he has provided us in performing our duties.

Brussels, 05 May 2011

THE AUDITORS

Unqualified opinion

Report of the auditor

ALAIN SERCKX

Company auditor S.C.P.R.L.

R.P.M. Brussels

FERNAND MAILLARD

Company auditor S.C.P.R.L.

R.P.M. Brussels

SIBELGA S.C.R.L.

Quai des Usines, 16,

1000 Brussels

Brussels, 5 May 2011

Auditors' report on the annual accounts of S.C.R.L.SIBELGA as at 31 December 2010 to the general meeting of 20 June 2011.

Dear sir or madam,

We have pleasure in presenting our report in the course of our duties as auditors. This report includes our opinion on the annual accounts and the additional statements and information required.

Unqualified approval of annual accounts

We have audited the annual accounts for the year ended 31 December 2010, produced using established accounting procedures in Belgium, showing total assets of EUR 1,366,613,928.23, with the profit and loss account ending in a profit on the year of EUR 57,941,897.55.

Producing the annual accounts is the responsibility of the management body. This responsibility includes designing, implementing and monitoring a system of internal controls aimed at producing and presenting true and accurate annual accounts which do not contain any significant irregularities whether as the result of fraud or error, choosing and using appropriate valuation methods and making accounting assumptions reasonable under the circumstances.

Our responsibility is to express our opinion on these annual accounts in the light of our audit.

We conducted our audit as required by law and in accordance with audit principles applicable in Belgium as issued by the Institute of Company Auditors. These audit principles require us to organise

and conduct our audit in such a way as to be reasonably certain that the annual accounts do not contain any significant irregularities whether a result of fraud or error.

Following the audit principles above, we examined how the company is organised in administrative and accounting terms and its internal control systems. The management body and officers of the company gave us the explanations and information our audit required. We examined the amounts shown in the annual accounts by random sampling to verify that they were correct. We examined whether the valuation principles the company uses are well founded and the significant accounting estimates it makes are reasonable, and how the annual accounts are presented as a whole. We believe this work provides a reasonable basis on which to state our opinion.

We believe the annual accounts as at 31 December 2010 give a true and accurate picture of the company's assets, financial situation and results in accordance with established accounting procedures in Belgium.

Additional statements and information

The production and content of the directors' report and the company's compliance with the companies code and articles of association are the responsibility of the management body.

Our responsibility is to include in our report the additional statements and information below, which are not such as to vary the scope of our certification of the annual accounts:

- The directors' report deals with the information required by law and is in accordance with the annual accounts, except for risks and uncertainties beyond those for which provision has been made. We are not in a position to pronounce on the details of the main risks and uncertainties the company faces or its position, foreseeable changes or the particular impact of certain facts on its future development. We can however confirm that the information provided does not show any manifest inconsistencies with the information of which we are aware in the course of our duties.
- The 2010 financial year was the fourth year of full deregulation, and some uncertainty still remains as to some of the items in the accounts, and provisions in particular. The Board's approach in dealing with these accounts has been to be sufficiently prudent to ensure there are no exceptional losses on the items concerned at the end of the following year.
- Without prejudice to formal aspects of minor importance, the accounts are kept in accordance with the provisions of the laws and regulations applicable in Belgium.
- There are no transactions concluded or decisions taken contrary to the articles of association or Companies Code to which we have to draw your attention. The application of profits as proposed to the general meeting is in accordance with the provisions of the law and articles of association.

Brussels, 05 May 2011

ALAIN SERCKX

Company auditor SCPRL
Represented by its manager,
Alain Serckx, company auditor

FERNAND MAILLARD

Company auditor SCPRL
Represented by its manager,
Fernand Maillard, company auditor

Done in
Brussels
on 05-05-2011

Unaudited financial statements of the Issuer for the financial half year ended 30 June 2012 (with comparison against 31 December 2011 for balance sheet items and 30 June 2011 for income statement items), drawn up in accordance with generally accepted accounting principles and regulations in the Kingdom of Belgium

Balance sheet – Assets (in ,000 EUR)		
	30 June 2012	31 December 2011
Fixed assets	1,121,405	1,095,603
III Tangible fixed assets	1,117,209	1,091,405
A. Land and buildings	54,030	54,006
B. Plant, machinery and equipment	1,041,673	1,017,473
C. Furniture and vehicles	21,193	19,657
D. Other tangible fixed assets	312	269
IV. Financial fixed assets	4,196	4,198
A. Affiliated enterprises	4,192	4,192
1. Participating interests	4,192	4,192
B. Other entities linked by participating interests	3	5
1. Participations	3	5
C. Other financial assets	0.9	0.9
1. Shares	0.3	0.3
2. Amounts receivable and cash guarantees	0.6	0.6
Current assets	273,116	289,285
VI. Stock and work in progress	9,961	9,835
A Stocks	7,302	7,273
1. Raw materials and consumables	7,302	7,273
B. Contracts in progress	2,659	2,562
VII: Amounts receivable after more than one year	113,026	107,020
A. Trade debtors	104,132	95,492
B. Other amounts receivable	8,893	11,528
VIII Cash investments	22,172	31,531
B. Other investments and deposits	22,172	31,531
IX Cash at bank and in hand	2,261	6,053
X. Deferred charges and accrued income	125,697	134,846
Total Assets	1,394,521	1,384,888
Balance sheet – Equity and Liabilities (in ,000 EUR)		
	30 June 2012	31 December 2011
Equity	965,721	912,046
I. Capital	554,799	554,799
A. Issued capital	554,799	554,799
II. Share premium account	10,112	10,112
III. Revaluation surpluses	250,428	250,428
IV. Reserves	96,706	96,706
A. Legal reserves	201	201
B. Reserves not available	96,505	96,505
2. Other	96,505	96,505
Result of the half year	53,674	0.00
Provisions and deferred tax	123,129	122,223
VII A. Provisions for liabilities and charges	123,129	122,223
4. Other liabilities and charges	123,129	122,223
Amounts payable	305,671	350,619
VIII Amounts payable after more than one year	115,100	115,100
A. Financial debts	16,036	16,036
4. Credit institutions	16,036	16,036
D. Other debts	99,064	99,064
IX. Amounts payable within one year	111,341	185,543

A. Current portfolio of amounts payable after more than one year falling due within one year	8,450	17,640
C. Trade debts	58,623	80,165
1. Suppliers	58,623	80,165
D. Advances received on contracts in progress	1,969	1,960
E. Tax, remuneration and social security	8,446	160
1. Tax	8,273	160
2. Remuneration and social security	172	0.00
F. Other amounts payable	33,853	85,617
X. Accrued charges and deferred income	79,229	49,975
Total equity and liabilities	1,394,521	1,384,888
Income statement (in ,000 EUR)		
	30 June 2012	30 June 2011
Operating income	198,487	195,527
A. Turnover	172,674	172,553
B. Increase (decrease) in stocks of finished goods, works and contracts in progress (+)(-)	97	408
D. Other operating income	25,717	22,566
Operating charges	-142,685	-133,495
A. Raw materials and consumables	13,667	13,467
1. Purchases	13,827	13,554
2. Decrease (increase) in stock (+)(-)	-160	-86,650
B. Services and other goods	102,141	89,617
C. Remuneration, social security costs and pensions (+)(-)	11	11
D. Depreciations of and amounts written of on formation expenses, intangibles and tangible fixed assets	21,562	20,890
E. Amounts written of on stocks, contracts in progress, and trade debtors: appropriations (write-backs)	131	2
F. Provisions for risks and charges (appropriations) (uses and write backs) (+)(-)	1,060	4,300
G. Other operating charges	4,112	5,208
Operating profit (loss)	55,802	62,031
Financial revenue	275	220
A. Income from financial fixed assets	2	2
B. Income from current assets	16	7
C. Other financial income	257	21
Financial charges	-1,668	-2,516
A. Debt charges	1,659	2,511
C. Other financial charges	9	5
Gain (loss) on ordinary activities before taxes	54,410	59,735
Extraordinary income	167	2,816
C. Write-back of provisions for extraordinary liabilities and charges	88	180
E. Other extraordinary income	78	2,636
Extraordinary charges	-899	-250
C. Provision for extraordinary liabilities and charges: appropriations (uses)	-65	-2,284
E. Other extraordinary costs	965	2,535
Profit (loss) for the before tax	53,677	62,301
Income taxes	-2	-502
A. Income taxes	2	502
Profit (loss) on period	53,674	61,799

List explaining some of the terms used in the financial information set out in this Annex.

Captive Customer refers to the customers of electricity or natural gas who could only acquire energy from a single source and had no reasonable alternative to purchase electricity or natural gas prior the liberalisation of the European energy market.

Degree Day refers to the unit utilised by the Issuer for estimating the demand for energy required in certain weather conditions equal to a difference of one degree between the average outdoor temperature on a certain day and a reference temperature. For each °C decrease from this standard in the average outside temperature one degree day is recorded. The lower the average daily temperature, the more degree days and the greater the amount of energy consumed and distributed through the grid.

DSO refers to a distribution system operator, an entity managing and maintaining low voltage and mid voltage distribution networks for electricity as well as low pressure and mid pressure distribution networks for gas.

URE/REG premiums refers to a premium to promote the rational use of energy (*prime pour l'Utilisation Rationnelle de l'Energie / premie voor Rationeel Energieverbruik*) granted by the Brussels Capital Region Government to companies and households. These premiums were paid out by the Sibelga as part of its public service obligations.

Need for Net Working Capital refers to the DSO's need for working capital at a given time in accordance with the Annex "Minimum Standard of Accounts" of the Royal Decree of 12 September 1983 governing the minimum chart of accounts and equalling the difference between the sum of:

- i. stock, contracts in progress, amounts receivable, the operationally necessary cash and the prepayments and accrued income; and
- ii. trade debts, advance payments received on contracts in progress, tax, remuneration and social security liabilities, other amounts payable and accrued charges and deferred income.

ANNEX 3 – FORM OF CHANGE OF CONTROL PUT EXERCISE NOTICE

Bondholders wishing to exercise the put option following a Change of Control pursuant to Condition 5(c) (Redemption at the Option of Bondholders Upon a Change of Control) will be required to deposit during the Change of Control Put Exercise Period a duly completed and signed Change of Control Put Exercise Notice with the relevant Intermediary.

Such Intermediary is the bank or other financial intermediary, whether in Belgium or any other jurisdiction, through which the Bondholder holds the Bonds.

When depositing the Change of Control Put Exercise Notice, the Bondholder requests that such Intermediary (i) delivers the Change of Control Put Exercise Notice to the Agent, (ii) liaises with the Agent to organise the early redemption of the relevant Bonds pursuant to Condition 5(c) and (iii) transfers the relevant Bond(s) to the account of the Agent. Any fees and/or costs charged by the Intermediary in relation to the deposit of the Change of Control Put Exercise Notice or the transfer of the relevant Bonds will be borne by the relevant Bondholder.

To: [Details of the Intermediary through which the Bondholder holds the Bonds]

SIBELGA SCRL/CVBA

(intermunicipal organisation, incorporated in the Kingdom of Belgium with limited liability in the form of a SCRL/CVBA))

EUR 100,000,000

3.20 per cent. Bonds due 23 May 2013

(issued in the denomination of Euro 100,000 and as described in the Listing Prospectus dated 15 May 2013)

ISIN: BE0002199652

(the "Bonds")

CHANGE OF CONTROL PUT EXERCISE NOTICE

By sending this duly completed Change of Control Put Exercise Notice to the Agent in accordance with Condition 5(c) (Redemption at the Option of Bondholders Upon a Change of Control) of the Bonds, the undersigned holder of the Bonds specified below exercises its option to have such Bonds redeemed early in accordance with Condition 5(c) on the Change of Control Put Date falling on* The undersigned holder of such Bonds hereby confirms to the Issuer that (i) he/she holds the amount of Bonds specified in this Change of Control Put Exercise Notice and (ii) he/she undertakes not to sell or transfer such Bonds until the Change of Control Put Date specified above.

Nominal amount of Bonds held:

EUR..... ([amount in figures] Euro)

Bondholder contact details:

Name or Company:

Address:

Telephone number:.....

Payment instructions:

Please make payment in respect of the Bonds redeemed early pursuant to Condition 4(c) by Euro transfer to the following bank account:

Name of Bank:

Branch Address:

Account Number:

* Complete as appropriate.

The undersigned holder of the Bonds confirms that payment in respect of the redeemed Bonds shall be made against debit of his/her securities account number with [*name and address of bank*] for the above-mentioned nominal amount of Bonds.

All notices and communications relating to this Change of Control Put Exercise Notice should be sent to the address specified above.

Terms used and not otherwise defined in this Change of Control Put Exercise Notice have the meanings given to them in the terms and conditions of the Bonds.

Signature of the holder:

Date:.....

N.B. The Agent shall not in any circumstances be liable to any Bondholder or any other person for any loss or damage arising from any act, default or omission of the Agent in relation to the said Bonds or any of them unless such loss or damage was caused by the fraud or negligence of the Agent.

THIS CHANGE OF CONTROL PUT EXERCISE NOTICE WILL NOT BE VALID UNLESS (I) ALL OF THE PARAGRAPHS REQUIRING COMPLETION ARE DULY COMPLETED AND (II) IT IS DULY SIGNED AND SENT TO THE RELEVANT INTERMEDIARY.

BONDHOLDERS ARE ADVISED TO CHECK WITH THE RELEVANT INTERMEDIARY WHEN SUCH INTERMEDIARY WOULD REQUIRE TO RECEIVE THE COMPLETED CHANGE OF CONTROL PUT EXERCISE NOTICE TO ARRANGE TO DELIVER THE CHANGE OF CONTROL PUT EXERCISE NOTICE AND THE BONDS TO BE REDEEMED TO THE ACCOUNT OF THE AGENT FOR THE ACCOUNT OF THE ISSUER BY THE RELEVANT CHANGE OF CONTROL PUT DATE.

ONCE VALIDLY GIVEN THIS CHANGE OF CONTROL PUT EXERCISE NOTICE IS IRREVOCABLE.

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