



Eandis CVBA

Brusselsesteenweg 199

B-9090 Melle

Belgium

BE 0477,445,084 RLE Ghent

**incorporated as a “coöperatieve vennootschap met beperkte aansprakelijkheid” (CVBA) /
“société coopérative à responsabilité limitée” (SCRL) under Belgian law
(the “Issuer”)**

EUR 5,000,000,000

Guaranteed Euro Medium Term Note Programme
Due from one month to 30 years from the date of original issue
**Guaranteed on a several but not joint basis by Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka,
Iverlek and Sibelgas CVBA (the “Guarantors”)**

Co-Arrangers and Dealers



The Notes to be issued under this Guaranteed Euro Medium Term Note Programme constitute debt instruments. An investment in the Notes involves risks. By subscribing to any Notes, investors lend money to the Issuer who undertakes to pay interest and to reimburse the principal on the maturity date. In case of insolvency or default by the Issuer and the Guarantors, however, investors may not recover the amounts they are entitled to and risk losing all or a part of their investment. These Notes are intended for investors who are capable of evaluating the interest rates in light of their knowledge and financial experience. Each decision to invest in these Notes must be based solely on the information contained in this Base Prospectus (including the section Risk factors and in particular the risk factors relating to the regulatory framework at the European, federal and regional level (cf. Summary, on pages 29 and Risk factors, Risks Related to the Regulatory Framework at the European, Federal and Regional Levels, on pages 33 to 40) and more generally factors that may affect the Issuer's and the Guarantors' ability to fulfil their respective obligations under the Notes and the guarantees and factors which are material for the purpose of assessing the market risks associated with the Notes.

Base Prospectus dated 17 September 2013

Under the Guaranteed Euro Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), Eandis CVBA (“**Eandis**” or the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes guaranteed by Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas CVBA, each on a several but not joint basis, subject to pro rata limitations (the “**Guarantee**”, each a “**Guarantor**”, and together the “**Guarantors**”, respectively) (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 5,000,000,000 (or the equivalent in other currencies).

The English version of this base prospectus (the “**Base Prospectus**”) has been approved on 17 September 2013 by the Belgian Financial Services and Markets Authority (the “**FSMA**”), in its capacity as competent authority under the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission of investment instruments to trading on a regulated market (as amended from time to time, the “**Prospectus Law**”), as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). The approval by the FSMA does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer or any of the Guarantors. The whole of this Base Prospectus has been translated into Dutch. In the event of any discrepancy between the English and the Dutch version of this Base Prospectus, the English version shall prevail. Each of the Issuer and the Guarantors assumes responsibility for the consistency between the English version and the Dutch version of this Base Prospectus.

Application has been made to Euronext Brussels SA/NV (“**Euronext Brussels**”) for Notes issued under the Programme for the period of 12 months from the date of publication of this Base Prospectus to be listed on the official list of Euronext Brussels and admitted to trading on the regulated market of Euronext Brussels (the “**Market**”). References in this Base Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Market and admitted to trading on the Market. The Market 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 (“**MIFID**”). No certainty can be given that the application will be granted. The Issuer may also issue unlisted Notes or request the listing of Notes on any other stock exchange or market. The applicable final terms in respect of the issuance of Notes (the “**Final Terms**”) will specify whether or not such Notes will be listed and, if so, whether on the Market or on any other stock exchange.

The Notes will be issued in dematerialised form and will not be exchangeable for bearer notes (whether in global or definitive form). They will be cleared through the clearing system operated by the National Bank of Belgium (the “**NBB**”) (the “**X/N Clearing System**”) or any successor thereto pursuant to the law of 6 August 1993 on transactions on certain transferable securities (loi relative aux opérations sur certaines valeurs mobilières (the “**1993 Law**”). Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) maintain accounts in the X/N Clearing System. The clearing of Notes through the X/N Clearing System must receive the prior approval of the NBB.

Moody's Investor Service Ltd. (“**Moody's**”) assigned a corporate rating A1 (with negative outlook) to the Issuer on 12 October 2011, and confirmed this rating on 20 December 2011 and 21 December 2012. As defined by Moody's, obligations rated A are considered upper-medium grade and are subject to low credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

The credit rating included or referred to in this Base Prospectus will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies, as amended (the “**CRA Regulation**”) as having been issued by Moody's. Moody's is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website (www.esma.europa.eu). Prospective investors should consult the Moody's website (www.moody's.com) for the most recent ratings.

Tranches (as defined in “Summary of the Programme – Element C.1”, “**Tranches**”) of Notes to be issued under the Programme will be rated or unrated. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Base Prospectus.

Co-Arrangers for the Programme and Dealers

Belfius Bank

HSBC

*This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Issuer, the Guarantors and their subsidiaries and affiliates taken as a whole (the “**Group**” or the “**Eandis Economic Group**”) and the Notes which, according to the particular nature of the Issuer, the Guarantors and the Notes, 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 and the Guarantors.*

The Issuer accepts responsibility for the information contained in this Base Prospectus. Each Guarantor accepts responsibility for the information on itself contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantors (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

*This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.*

*This Base Prospectus includes its annex and is to be read in conjunction with all documents which are incorporated herein by reference (see “**Documents Incorporated by Reference**”).*

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors or any of the Dealers or the Co-Arrangers. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantors since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other

information supplied in connection with the Programme 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.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Guarantors, the Dealers and the Co-Arrangers to inform themselves about and to observe any such restriction. The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933 (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes may not be offered or sold within the United States or to U.S. persons. The Notes are being offered and sold to non-U.S. persons in reliance on Regulation S. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see “Subscription and Sale”.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Co-Arrangers accepts any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Co-Arrangers or a Dealer or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. The Co-Arrangers and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantors, the Co-Arrangers or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Co-Arrangers undertakes to review the financial condition or affairs of the Issuer or the Guarantors during the life of the arrangements contemplated by this Base Prospectus nor to advise any Investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Co-Arrangers.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) in the applicable Final Terms (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “euro”, “EUR” and “€” are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Union, as amended, and to “pound sterling”, “GBP”, “Sterling” and “£” are to the lawful currency of the United Kingdom.

PUBLIC OFFERS OF NOTES IN THE EUROPEAN ECONOMIC AREA

Certain Tranches of Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in a Relevant Member State in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Prospectus as a **"Public Offer"**.

This Base Prospectus has been prepared on the basis that it permits Public Offers in Belgium (the **"Public Offer Jurisdictions"** and each, a **"Public Offer Jurisdiction"**). Any person making or intending to make a Public Offer on the basis of this Base Prospectus (the **"Offeror"**) must do so only with the Issuer's and the Guarantors' consent (see "Consent given in accordance with Article 3.2 of the Prospectus Directive" below) and must comply with the terms of that consent.

If the Issuer intends to make or authorise any Public Offer to be made in one or more Relevant Member States other than the Public Offer Jurisdictions, it will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any additional information required by the Prospectus Directive in respect thereof. Such supplement will also set out provisions relating to the Issuer's consent to use this Base Prospectus in connection with any such Public Offer.

Save as provided above, none of the Issuer, the Guarantors or any Dealer has authorised, nor do they authorise, the making of any Public Offer in circumstances in which an obligation arises for the Issuer, the Guarantors or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of any Public Offer in a Public Offer Jurisdiction, the Issuer and the Guarantors accept responsibility, in each Public Offer Jurisdiction, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an **"Investor"**) to whom a Public Offer is made by any financial intermediary to whom each of the Issuer and the Guarantors has given its consent to use the Base Prospectus (an **"Authorised Offeror"**), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under *"Consent"* and *"Common conditions to consent"*. None of the Issuer, the Guarantors or any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

Save as provided below, none of the Issuer, the Guarantors or any Dealer has authorised the making of any Public Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer. Any Public Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantors or any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

Subject to the conditions set out below under *"Common conditions to consent"*:

- (A) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer in a Public Offer Jurisdiction by the relevant Dealer and by:
 - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms, and
 - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (www.eandis.be) and identified as an Authorised Offeror in respect of the relevant Public Offer, and
- (B) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer in a Public Offer Jurisdiction by any financial intermediary which satisfies the following conditions:
 - (i) it is authorised to make such offers under the applicable legislation implementing MiFID, and
 - (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Eandis CVBA (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in Belgium (the "**Public Offer**") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly."*

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

- (a) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
 - (i) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, - regulations and guidance of any applicable regulatory bodies (the "**Rules**") including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
 - (ii) comply with the restrictions set out under "Subscription and Sale" in this Base Prospectus which would apply as if it were a Dealer;
 - (iii) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - (iv) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;

- (v) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application moneys;
- (vi) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;
- (vii) ensure that no holder of Notes or potential Investor in the Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (viii) co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (vi) above) upon written request from the Issuer or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer:
 - (A) in connection with any request or investigation by any regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
 - (B) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
 - (C) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements, in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- (xix) during the primary distribution period of the Notes: (i) not sell the Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the Notes otherwise than for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;

- (xx) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution - only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
 - (xxi) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
 - (xxi) comply with the General Conditions referred to above and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;
 - (xxii) make available to each potential Investor in the Notes the Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Base Prospectus; and
 - (xxiii) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that neither the Issuer nor the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in the Prospectus;
- (b) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and
- (c) agrees and accepts that:
- (i) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror**

Contract"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, Belgian law; and

- (ii) the courts of Brussels are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the courts of Brussels.

Any financial intermediary falling within sub-paragraph (B) above who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) set out in paragraph (B)(ii) above.

Common conditions to consent

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (i) is only valid in respect of the relevant Tranche of Notes;
- (ii) is only valid during the Offer Period specified in the applicable Final Terms;
- (iii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in the Public Offer Jurisdictions as specified in the applicable Final Terms; and
- (iv) is subject to any other conditions set out in Part B of the applicable Final Terms.

The Issuer may give its consent to additional financial intermediaries after the date of the applicable Final Terms and, if it does so, the Issuer will publish the above information in relation to them on http://www.eandis.be/eandis/ir_rating_and_bonds.htm.

An Investor intending to acquire or acquiring any Notes pursuant to a Public Offer from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Investor must look to the relevant Authorised Offeror at the time of such offer for the provision of such information and the Authorised Offeror will be responsible for such information. The Terms and Conditions of the Public Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuer or any of the Dealers has any responsibility or liability for such information.

Public Offers: Issue Price and Offer Price

Notes to be offered pursuant to a Public Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Public Offer and will depend, amongst other things, on the interest rate applicable to the Notes and prevailing market conditions at that time. The offer price of such Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Notes to such Investor.

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GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes. The maximum aggregate principal amount of all Notes any time outstanding under the Programme will not exceed EUR 5,000,000,000 (or its equivalent in any other currency at the date of issue). The Issuer may increase the amount of the Programme in accordance with the terms of the Distribution Agreement (as defined below) from time to time.

Notes issued by the Issuer are guaranteed by Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas CVBA, each on a several but not joint basis, subject to *pro rata* limitations. The Guarantees constitute irrevocable, unconditional, unsecured and unsubordinated obligations of the Guarantors and rank equally with all other unsecured and unsubordinated obligations of the relevant Guarantor.

The Notes may be issued on a continuing basis to or through one or more of the Dealers and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. Notes may be distributed by way of public offer or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each tranche of Notes will be stated in the Final Terms.

The Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more Tranches issued on different dates. The specific terms of each Tranche of Notes will be set forth in the Final Terms.

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the Final Terms save that the minimum denomination of the Notes will be, if in euro, EUR 1,000, or, if in any currency other than euro, an amount in such other currency equal to or exceeding the equivalent of EUR 1,000 at the time of the issue of Notes.

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par, as stated in the Final Terms.

Application has been made to list Notes on the official list of Euronext Brussels and to trade Notes on the regulated market of Euronext Brussels. The Programme provides that Notes may also be listed on other or further stock exchanges, as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue. Notes may further be issued under the Programme which will not be listed on any stock exchange.

Notes will be accepted for clearing through one or more Clearing Systems as specified in the Final Terms. These systems will include the X/N Clearing System and those operated by Euroclear and Clearstream, Luxembourg.

Belfius Bank SA/NV will act as paying agent, domiciliary agent, calculation agent and listing agent.

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary relating to the Notes and the Issuer and the Guarantors. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the nature of the Notes, the Issuer and Guarantors, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary and marked as “not applicable”.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this summary.

Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Warning	<p>Please be warned that:</p> <ul style="list-style-type: none"> — this summary should be read as an introduction to the Base Prospectus; — any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms; — where a claim relating to the information contained in the Base Prospectus is brought before a court, as a plaintiff investor you might, under the national legislation of the Relevant Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and — civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2	Consent	<p>[Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer (as defined below) of Notes by the Managers, [•] [and] [each financial intermediary whose name is published on the Issuer's website (www.eandis.be) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and] [any financial intermediary which is authorised to make such offers under MiFID as amended, or other applicable legislation implementing and publishes on its website the following statement (with the information in square brackets being completed with the relevant</p>

		<p>information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Eandis CVBA (the "Issuer").</i></p> <p><i>We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes (the "Public Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly."</i></p> <p>A "Public Offer" of Notes is an offer of Notes (other than pursuant to Article 3(2) of the Prospectus Directive) during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the "Authorised Offerors" for such Public Offer.</p> <p>Offer Period: The Issuer's consent referred to above is given for Non-exempt Offers of Notes during the period from [●] until [●] (the "Offer Period").</p> <p>Conditions to consent: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid in respect of the relevant Tranche of Notes; (b) is only valid during the Offer Period; [and] (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in the Public Offer Jurisdictions; [and (d) •].</p> <p>An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price allocations and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of Notes and, accordingly, the Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be provided to Investors by that Authorised Offeror at the time of the Public Offer. None of the Issuer, the Guarantors or any of the Dealers or other Authorised Offerors have any responsibility or liability for such information.] [The Notes may be offered only in circumstances in which an exemption from the obligation under the Prospectus Directive to publish a prospectus applies in respect of such offer.]</p>
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Section B – Issuer and Guarantors

Element	Disclosure requirement	Disclosure								
B.1	Legal name of the Issuer: Commercial name of the Issuer:	Eandis CVBA EANDIS								
B.2	Domicile, country of incorporation, legal form of and law applicable to the Issuer:	Eandis CVBA is a limited liability partnership (“ <i>coöperatieve vennootschap met beperkte aansprakelijkheid</i> ” / “ <i>société coopérative à responsabilité limitée</i> ”), incorporated in Belgium and subject to the laws of Belgium. The Issuer has its registered seat at Brusselsesteenweg 199, B-9090 Melle, Belgium.								
B.4b	Trends:	The increase in decentralized electricity production in the Flemish market will continue. This will lead to continued pressure on the distribution system operators (“DSOs”) and their operating companies to adapt the distribution grids. In addition, smart metering will remain of significant importance, pushing the distribution sector to formulate a general strategy on smart metering and an implementation plan. As to the tariffs, there is a growing concern among the general public about rising energy tariffs which will force the DSOs to further keep a tight rein on their costs. Against the backdrop described above, Eandis will continue to monitor trends in the energy market in Belgium and abroad and, if needed, adapt its strategy accordingly.								
B.5	The Group:	<p>The Issuer is part of the so-called “Eandis economic group”. The Eandis economic group (the "Eandis Economic Group" consists of the Issuer, its Subsidiaries (De Stroomlijn CVBA (“De Stroomlijn”), Indexis CVBA (“Indexis”), Atrias CVBA ("Atrias") and SYNDUCTIS CVBA ("SYNDUCTIS") (together: the "Subsidiaries") and the seven Guarantors (as defined below) for the distribution of electricity and gas.</p> <p>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, owned by the Guarantors.</p>								
B.9	Profit Forecast:	Not applicable. The Issuer does not provide profit forecasts.								
B.10	Audit Report Qualifications:	Not applicable. There are no qualifications in the Audit Reports to the Annual Report 2011 and the Annual Report 2012, either for the Issuer or the Eandis Economic Group. An explanatory paragraph was added in the Audit Reports to the Annual Report 2011 and 2012 for the Eandis Economic Group.								
B.12	Key Financial Information:	<table><tr><th colspan="4">Balance sheet</th></tr><tr><td>Eandis Group (IFRS)</td><td>Year ended 31 December 2011</td><td>Year ended 31 December 2012</td><td>Interim financial statements 30/06/2013</td></tr></table>	Balance sheet				Eandis Group (IFRS)	Year ended 31 December 2011	Year ended 31 December 2012	Interim financial statements 30/06/2013
Balance sheet										
Eandis Group (IFRS)	Year ended 31 December 2011	Year ended 31 December 2012	Interim financial statements 30/06/2013							

		<i>in 1000 €</i>				
		Total assets	1,791,376	2,441,221	2,416,232	
		Non-current assets	1,329,773	2,099,283	2,130,844	
		Current assets	461,603	341,938	285,388	
		Total liabilities	1,791,376	2,441,221	2,416,232	
		Equity	1,099	1,099	1,099	
		Non-current liabilities	1,315,791	2,080,364	2,111,777	
		Current liabilities	474,486	359,758	303,356	
		Income statement				
			Year ended 31 December 2011	Year ended 31 December 2012		
		Operating revenue	1,254,650	1,299,032		
		Operating expenses	1,261,150	1,299,237		
		Result for the period	0	0		
		Cash flow statement				
		Cash flow from/used in operating activities	-37,673	86,708		
		Cash flow from/used in investing activities	-1,748	-1,382		
		Cash flow from/used in financing activities	40,460	-84,644		
		Net change in cash and cash equivalents	1,039	682		
		Income statement				
			Interim financial statements 30/06/2012 (restated IAS I9)	Interim financial statements 30/06/2013		
		Operating revenue	634,064	634,064		
		Operating expenses	-633,219	-633,219		
		Result for the period	-642	845		
		There has been no significant change in the financial or trading position of the Issuer since 30 June 2013 and no material adverse change in the Issuer's prospects since 31 December 2012.				
		B.13	Recent Events:	Not applicable. There are no material events particular to the Issuer which are to a material extent relevant to the Issuer's solvency.		
		B.14	Description of the Group and dependence upon other entities within	For a description of the Group, please see B5 “The Group”. As the distribution grid operated by the Issuer is owned by the Guarantors, the Issuer is dependent on the Guarantors.		

	Guarantors:	<p><i>vennootschap met beperkte aansprakelijkheid</i>” / “<i>société coopérative à responsabilité limitée</i>”) incorporated in Belgium and subject to the laws of Belgium. Gaselwest has its registered office at 12 President Kennedypark, 8500 Kortrijk.</p> <p>IMEA (Intercommunale Maatschappij voor Energievoorziening Antwerpen), a mission entrusted company (“<i>opdrachthoudende vereniging</i>”) incorporated in Belgium and subject to the laws of Belgium. IMEA has its registered office at 233 Merksemsesteenweg, 2100 Deurne-Antwerp.</p> <p>IVERLEK, a mission entrusted company (“<i>opdrachthoudende vereniging</i>”) incorporated in Belgium and subject to the laws of Belgium. IVERLEK has its registered office at 58 Aarschotsesteenweg, 3012 Wilsele-Leuven.</p> <p>IMEWO (Intercommunale Maatschappij voor Energievoorziening in West-en Oost-Vlaanderen), a mission entrusted company (“<i>opdrachthoudende vereniging</i>”) incorporated in Belgium and subject to the laws of Belgium. IMEWO has its registered office at 199 Brusselsesteenweg, 9090 Melle.</p> <p>SIBELGAS CVBA, a limited liability partnership (“<i>coöperatieve vennootschap met beperkte aansprakelijkheid</i>” / “<i>société coopérative à responsabilité limitée</i>”) incorporated in Belgium and subject to the laws of Belgium. SIBELGAS has its registered office at 12 Sterrenkundelaan, 1210 Sint-Joost-ten-Node (Brussels).</p> <p>IVEKA (Intercommunale Vereniging voor de Energiedistributie in de Kempen en het Antwerpse), a mission entrusted company (“<i>opdrachthoudende vereniging</i>”) incorporated in Belgium and subject to the laws of Belgium. IVEKA has its registered office at 38 Koningin Elisabethlei, 2300 Turnhout.</p> <p>INTERGEM (Intercommunale Maatschappij voor Energieleveringen in Midden-Vlaanderen) a mission entrusted company (“<i>opdrachthoudende vereniging</i>”) incorporated in Belgium and subject to the laws of Belgium. INTERGEM has its registered office at 11 Franz Courtensstraat, 9200 Dendermonde.</p>
B.19 B.4b	Trends:	Please see B.4b “Trends” above.
B.19 B.5	The Group:	<p>Please see B.5 “The Group” above.</p> <p>The Guarantors own the low voltage and mid voltage distribution networks for electricity and gas operated by the Issuer, and hold the DSO licences granted by the VREG.</p>
B.19 B.9	Profit Forecast:	Not applicable. The Guarantors do not provide profit forecasts.
B.19	Audit Report	Not applicable. There are no qualifications in the Audit Reports to the

B.10	Qualifications:	Annual Report 2011 and the Annual Report 2012 for the Eandis Economic Group. An explanatory paragraph was added in the Audit Reports to the Annual Report 2011 and 2012 for the Eandis Economic Group.		
B.19 B12	Key Financial Information:	Key financial information		
		<i>Eandis Economic Group (IFRS)</i> <i>in 1000 €</i>	<i>Annual Accounts 2011</i>	<i>Annual Accounts 2012</i>
		<i>Balance sheet</i>		
		Total assets	8.187.692	8.702.429
		Non-current assets	7.238.756	7.501.636
		Current assets	948.936	1.200.793
		Equity	2.815.724	2.784.185
		Non-current liabilities	4.516.173	4.626.092
		Current liabilities	855.795	1.292.152
		<i>Income statement</i>		
		Operating revenue	2.837.989	2.906.762
		Operating expenses	-2.339.351	-2.399.987
		Result for the period	296.201	299.657
		<i>Cash flow</i>		
		Cash flow from operating activities	623.234	457.313
		Cash flow used in investing activities	-618.247	-615.593
		Cash flow from/used in financing activities	-16.192	159.157
		Net change in cash and cash equivalents	-11.205	877
		There has been no material adverse change in the prospects of any of the Guarantors since 31 December 2012, being the date of their latest audited financial statements.		

B.19 B.13	Recent Events:	Not applicable. There are no material events particular to the Guarantors which are to a material extent relevant to the Guarantors' solvency.
B.19 B.14	Dependence upon other entities within the Group:	The Guarantors are dependent on the Issuer for the development, management and maintenance of the low voltage and mid voltage distribution networks for electricity as well as low pressure and mid pressure distribution networks for gas owned by them.
B.19 B.15	The Guarantors' Principal Activities:	The object and purpose of the Guarantors is comprised in article 3 of their respective articles of association and comprises of the management and operation of gas and electricity distribution systems. This comprises responsibility for the development of these systems, as well as for their viability and security. The Guarantors also organise public lighting and are responsible for certain social and other public service obligations. The Issuer has been mandated as operation company of the Guarantors. The Guarantors are the owners of the distribution grids, they are the holders of the distribution licence and they invoice customers directly.
B.19 B.16	Controlling Persons:	In general, all shares of the Guarantors are held by (i) local authorities (municipalities and provinces) and (ii) Electrabel, a subsidiary of the French utility group GDF Suez. No shareholder exercises control over any Guarantor.
B.19 B.17	Ratings assigned to the Guarantor or its Debt Securities:	Not Applicable.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	<p>Up to EUR 5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount outstanding at any time pursuant to the Programme arranged by Belfius Bank SA/NV and HSBC France (the "Co-Arrangers" or the "Existing Dealers"). The Issuer may from time to time terminate the appointment of any Dealer or appoint additional dealers in accordance with a programme agreement dated on or about 17 September 2013 (the "Existing Dealers" together with any additional dealers, the "Dealers" and the Dealers in respect of any particular issue of Notes, the "Relevant Dealers").</p> <p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, the issue price or the nominal amount of the Tranche), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where</p>

		<p>necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the “Final Terms”).</p> <p>Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.</p> <p>The Notes will be issued in dematerialised form and cleared through the clearing system operated by the National Bank of Belgium (“NBB”) or any successor thereto (the “X/N Clearing System”). Such Notes will be represented by book entries in the name of its owner or holder, or the owner’s or holder’s intermediary, in a securities account maintained by the X/N Clearing System or by a participant in the X/N Clearing System which has been approved as an account holder (the NBB being the entity in charge of keeping the records). The Noteholders will not be entitled to exchange such Notes into notes in bearer form.</p> <p>The Notes have ISIN Code [●] and Common Code [●].</p>
C.2	Currency	<p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the Dealers.</p> <p>The X/N Clearing System exclusively clears securities denominated in any lawful currency for which the European Central Bank daily publishes Euro foreign exchange reference rates.</p> <p>[The Specified Currency of the Notes is [EUR] [●]]</p>
C.5	Restrictions on the free transferability of the securities	<p>Apart from selling restrictions in the United States, under the Prospectus Directive, Belgium, United Kingdom, and Japan, there are no restrictions on the free transferability of the Notes.</p>
C.8	Rights attached to the Notes and ranking	<p><u>Status of the Notes</u></p> <p>The Notes will constitute unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> and without any preference among themselves and equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.</p> <p>Each of the Guarantors irrevocably and unconditionally guarantees, on a several but not joint basis, the aggregate nominal amount of Notes outstanding at any one time, <i>pro rata</i> in accordance with the shares each Guarantor holds in the share capital of the Issuer as of the date of the issue of the Notes.</p> <p><u>Issue Price</u></p>

		<p>Notes may only be issued at their nominal amount or at a discount or premium to their nominal amount.</p> <p>[The Issue Price of the Notes is [●]]</p> <p><u>Specified denomination</u></p> <p>Notes will be in such denominations as may be specified in the applicable Final Terms save that (i) the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the United Kingdom Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).</p> <p>[The Specified Denomination of the Notes is [●]]</p> <p><u>Negative pledge</u></p> <p>So long as any of the Notes remains outstanding, neither the Issuer nor any of its subsidiaries nor any Guarantor will create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon or with respect to the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital), to secure any present or future indebtedness for the benefit of holders of other negotiable bonds, notes or debt instruments which are, or are capable of being, quoted, listed, or ordinarily dealt with on any stock exchange, or to secure any guarantee or indemnity in respect of such present or future indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such present or future indebtedness, guarantee or indemnity or such other security as shall be approved by an extraordinary resolution of the Noteholders.</p> <p>As defined in the Terms and Conditions, "Relevant Debt" means any present or future indebtedness (whether being principal, premium, interest or other amounts), in the form of or evidenced by notes, bonds, debentures, loan stock or other similar debt instruments, whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed</p>
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		<p>or ordinarily dealt in or traded on any stock exchange, or in any securities market (including, without limitation, any over the counter market); for the avoidance of any doubt, any bank loan or intra-group loan that is granted on the basis of a loan agreement is not Relevant Debt</p> <p><u>Cross-Default</u></p> <p>The Notes may become due and payable at their principal amount together with any accrued interest thereon if any other present or future indebtedness of the Issuer or any Guarantor for or in respect of moneys borrowed or raised is declared due and payable prior to its stated maturity by reason of any event of default (however described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or within five Brussels business days of becoming due if a longer grace period is not applicable or (iii) the Issuer or any Guarantor fails to pay when due or, as the case may be, within any applicable grace period or within five business days if a longer grace period is not applicable, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised. None of the events mentioned above in this paragraph shall give rise to an event of default if the aggregate amount of the relevant indebtedness, guarantees and indemnities is less than EUR 25,000,000 or its equivalent</p> <p><u>Withholding tax</u></p> <p>All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Notes 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 Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such a withholding or deduction is required, the Issuer or, as the case may be, the relevant Guarantor will have to gross-up its payments to the fullest extent then permitted by law and subject to certain exceptions.</p> <p><u>Governing law</u></p> <p>The Notes and the Guarantees will be governed by Belgian law.</p>
C.9	<p>Interest periods, interest rates, maturity date, repayment procedures, indication of yield and representation of Noteholders</p>	<p>Interest rates, interest accrual and payment date</p> <p>Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The applicable interest rate or its method of calculation may differ from time to time or be constant for any Series of Notes. Notes may have a maximum interest rate, a minimum interest rate, or both. The length of the interest periods for the Notes may also differ from time to time or be constant for any Series of Notes.</p>

		<p>[Fixed Rate Notes:</p> <p>The Notes are Fixed Rate Notes and will be payable in arrear at the Rate(s) of Interest and on the Interest Payment Date(s).</p> <p>Rate(s) of Interest: [●] per cent. per annum payable [●] in arrear on each Interest Payment Date</p> <p>Interest Payment Date(s): [●] in each year</p> <p>Day Count Fraction: [Actual/Actual] [Actual/Actual- ISDA][Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA][●]]</p> <p>[Floating Rate Notes:</p> <p>The Notes are Floating Rate Notes and will bear interest determined separately for each Series [on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the [2000][2006] ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.][by reference to [LIBOR][EURIBOR]] as adjusted for the Margin.</p> <p>Interest Period(s): []</p> <p>Specified Interest Payment Dates: []</p> <p>First Interest Payment Date: []</p> <p>Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]</p> <p>Margin(s): [+/-] [] per cent. per annum</p> <p>Minimum Rate of Interest: [[] per cent. per annum/Not Applicable]</p> <p>Maximum Rate of Interest: [[] per cent. per annum/Not Applicable]</p> <p>Day Count Fraction: [Actual/Actual] [Actual/Actual- ISDA][Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]]</p> <p>[Zero Coupon Notes:</p> <p>The Notes are Zero Coupon Notes and are issued at their nominal amount or at a discount to it and will not bear interest.</p> <p>Amortisation Yield: [●]</p> <p>Reference Price: [●]</p>
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		<p>Day Count Fraction: [Actual/Actual] [Actual/Actual- ISDA][Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA][●]]</p> <p>Interest Periods</p> <p>Interest periods will be specified in the applicable Final Terms.</p> <p>Redemption and Maturity</p> <p><i>Maturity Date</i></p> <p>Unless previously redeemed or purchased and cancelled, the Notes will mature and become due and payable at their principal amount on [●].</p> <p><i>Early Redemption</i></p> <p>Notes can be redeemed before the Maturity Date at, in relation to Zero Coupon Notes, the Amortised Face Amount of such Note unless otherwise specified, or in relation to the other Notes, at the Early Redemption Amount unless otherwise specified.</p> <p>[The Amortised Face Amount is [●] and the Early Redemption Amount is [●].]</p> <p><i>Redemption for Taxation Reasons</i></p> <p>The Notes may be redeemed at the option of the Issuer in whole, but not in part, if the Issuer has or will become obliged to pay additional amounts as a result of certain specified change in to the laws or regulations of Belgium.</p> <p>[The Early Redemption Amount is [●].]</p> <p><i>Redemption at the Option of the Issuer</i></p> <p>If “Call Option” is specified, the Issuer may, redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption.</p> <p>[The Optional Redemption Date is [●] and the Optional Redemption Amount is [●]]</p> <p><i>Redemption at the Option of Noteholders:</i></p> <p>If “Put Option” is specified, the Issuer shall, at the option of the holder of any such Note and when certain conditions are met redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.</p>
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		<p>[The Optional Redemption Date is [●] and the Optional Redemption Amount is [●].]</p> <p>Subject to any purchase and cancellation or early redemption, Notes will be redeemed on their maturity date at par.</p> <p>Indication of gross actuarial yield</p> <p>The gross actuarial yield of each issue of Fixed Rate Notes will be calculated using the Issue Price using the following formula.</p> $P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$ <p>Where:</p> <p>"P" is the Issue Price of the Notes; "C" is the annualised interest amount; "A" is the principal amount of the Notes, due on redemption; "n" is the time to maturity in years; and "r" is the annualised yield.</p> <p>It is not an indication of future yield.</p> <p>[The gross actuarial yield of the Notes is [●] per cent, using the issue price on the issue date.]</p> <p>Representation of Noteholders</p> <p>Not applicable. There will be no representative of Noteholders. Noteholders may consider matters affecting their interest in a meeting of Noteholders.</p> <p>For information on the rights attached to the Notes and ranking, see C.8.</p>
C.10	Derivatives	Not applicable. Notes issued under the Programme do not contain any derivative components.
C.11	Admission to trading	<p>[Application has been made to [Euronext Brussels]][•] for the Notes issued under the Programme to be admitted to trading on the [regulated market of Euronext Brussels]][•].][applicable Final TermsThe Notes are unlisted.]</p>

Section D – Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the risks specific to the issuer	<p><i>Operational Risks of the Business</i></p> <p>Eandis may be held liable in case of security of supply issues, distribution system disruptions or system breakdowns, and operates facilities that may cause significant harm to its personnel or third parties.</p> <p>A failure of IT systems and processes used by the Issuer</p>

		<p>(including defects in its databases) constitutes a considerable risk, as its IT system is essential for the safe and reliable operation of the distribution networks it operates.</p> <p>Eandis may incur significant losses if it cannot succeed in attracting and retaining enough qualified and competent personnel.</p> <p><i>Financial Risks of the Business</i></p> <p>The Issuer and the Guarantors have financial debt outstanding that could adversely affect their business. The Issuer and the Guarantors' access to sources of financing to cover their financing needs or repayment of their debt could be impaired by the deterioration of financial markets, and the Issuer and the Guarantors may be unable to access the funds that they need when it comes to refinance their debt. The Issuer and the Guarantors may borrow additional funds to support their capital expenditures and working capital needs and to finance future acquisitions. The ability of the Issuer and the Guarantor to pay principal and interest on the Notes and on their other debt depends primarily on the future regulated tariffs they are entitled to charge.</p> <p><i>Early termination of the appointment of the Issuer</i></p> <p>Although unlikely, if some or all of the Guarantors would terminate the appointment of the Issuer as their operating company, this would endanger the viability of Eandis and its ability to repay the principal and interest on the Notes.</p> <p><i>Risks related to a likely harmonisation of the distribution tariffs and the possible consolidation of Flemish DSOs</i></p> <p>It is envisaged to move towards one uniform distribution tariff in the entire Flemish Region. To facilitate the introduction of such a uniform tariff the Guarantors may in a first stage merge into one DSO. Subsequently that DSO could possibly merge with other DSOs so as to form one large DSO responsible for electricity and gas distribution in the entire Flemish Region.</p> <p>It has to be seen how a uniform distribution tariff would be implemented and whether such a uniform tariff would adequately reflect the cost base of the Guarantor(s) and the Issuer. In case such a uniform tariff would not cover all costs of the Guarantor(s) and the Issuer, this may affect their ability to pay principal and interest on the Notes and on their other debt.</p>
D.3	Key information on the risks specific to the Notes	<p>The principal risk factors relating to the Notes are:</p> <p><i>Notes may not be a suitable investment for all Investors:</i> each potential Investor in any Notes must determine the suitability of that</p>

		<p>investment in light of its own circumstances.</p> <p><i>There is no active trading market for the Notes:</i> the Notes are new securities which may not be widely distributed and for which there is currently no active trading market.</p> <p><i>Impact of fees, commissions and/or inducements on the issue price and/or offer price:</i> investors should note that the issue price and/or offer price of any issue of Notes may include subscription fees, placement fees, direction fees, structuring fees and/or other additional costs.</p> <p><i>The Notes may be redeemed prior to maturity:</i> In the event of the occurrence of an event of default, a change in tax law or if a call option is specified, the Notes may be redeemed prior to maturity.</p> <p><i>Market Value of the Notes:</i> the value of the Notes may be affected by the creditworthiness of the Issuer and the Guarantors and a number of additional factors.</p> <p><i>Global Credit Market Conditions:</i> potential Investors should be aware of the prevailing and widely reported adverse global credit market conditions.</p> <p><i>Taxation:</i> potential purchasers and sellers of the Notes 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 Notes are transferred or other jurisdictions.</p> <p><i>Change of law:</i> no assurance can be given as to the impact of any possible judicial decision or change to the laws of the Kingdom of Belgium, the official application, interpretation or the administrative practice after the date of this Base Prospectus.</p> <p><i>Interest rate risks:</i> investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.</p> <p><i>Potential Conflicts of Interest:</i> the Co-Arrangers might have conflicts of interests which could have an adverse effect to the interests of the Noteholders.</p> <p><i>Credit ratings may not reflect all risks:</i> 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 Notes.</p> <p><i>The payment of all amounts in respect of the Notes is guaranteed on a several but not joint basis, subject to the pro rata limitations:</i> the obligations of each Guarantor under its respective Guarantee are on a several but not joint basis, meaning that each Noteholder will need to make a claim against each of the seven Guarantors, each claim for a portion of the total claim of such Noteholder against the</p>
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		<p>Issuer.</p> <p>The principal risk factors relating to the Guarantors are:</p> <p><i>Risks related to the regulatory framework at the European, federal and regional levels</i></p> <p>The Guarantors are subject to regulation at the European, Belgian and Flemish level, among others in relation to tariffs they can charge. The tariffs are based on a "cost-oriented" system in which each DSO's estimated costs are in principle passed through in the tariffs. Both in the ex ante as well as in the ex post control, the regulator can challenge costs because it deems these costs unreasonable or inappropriate. Tariff decisions of regulators will have an important impact on the financial performance of the Guarantors.</p> <p>The Law of 8 January 2012 implementing the European Third Energy Package gave the regulator the exclusive power to establish the tariff methodologies and to approve their tariff proposals. The current division of powers relating to the regulation of DSOs in Belgium, and the upcoming changes therein, bear the risk of inconsistencies in some regulatory aspects. These inconsistencies could be situated on a technical or financial level or in the field of public service obligations. The possibilities of diverging rules and the transfer of competences relating to the distribution grid tariffs create potential risks for the Eandis Economic Group.</p> <p><i>Transfer of tariff-setting competences to the regional regulators</i></p> <p>In addition, it is envisaged that the powers relating to the distribution grid tariffs will have been transferred to the regional regulators by 2015 (or by the latest in 2016). Following this transfer the tariff methodology will need to be drawn up and the tariffs approved by the regional regulator, the Flemish Regulator of the Electricity and Gas Market (the "VREG"). It should be emphasised that possible changes to the current regulatory framework due to this transfer might adversely affect the Guarantors' business and performance.</p> <p><i>Risk of challenge of previous CREG tariff decisions</i></p> <p>Litigations are currently pending that invoke the potential invalidity of certain tariff decisions of the relevant regulators or the legal basis on which the regulator has made tariff decisions. In the unlikely event that the outcome of such litigation would be that the Guarantors need to repay distribution tariffs received earlier, this may have a considerable impact.</p> <p><i>Prolongation of the tariffs for 2013 and 2014 (and most likely</i></p>
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		<p>2015)</p> <p>The CREG has prolonged the tariffs applicable for 2012 until 2013 and 2014. Consequently, certain costs and investments to be incurred by the Guarantors in 2013 and 2014 may not be reflected in the tariffs for such period, which may impact the profit of the Guarantors. In addition, to accommodate the introduction of a uniform tariff and bearing in mind the legislative work which needs to be done for the transfer of tariff competences, the tariff freeze for the years 2013 and 2014 may be extended until the end of 2015.</p> <p><i>Risk of an inefficient green power certificates market</i></p> <p>The market for green power certificates has become inefficient, and leads to expenses for the Guarantors that can only be recovered at a later time. Yet, the reform of the green power certificate mechanism introduced in 2012 should in principle rebalance the market for green power certificates and alleviate the pressure of the purchase obligation on the DSOs.</p> <p><i>Early termination of the Guarantors' licence of DSO</i></p> <p>The Guarantors are licensed as DSOs by the relevant regulator. If the appointment is terminated before the expiry of the licence or is not renewed, there may be material, negative consequences on the financial position of the relevant entity.</p> <p><i>Immunity of execution</i></p> <p>The Guarantors are public law entities, and may not be declared bankrupt. Also, they benefit from an immunity of execution (not to be considered as an immunity of jurisdiction). The distribution networks owned by them can consequently not be seized by Noteholders.</p> <p><i>Risks Related to the Shareholding Structure of the Guarantors</i></p> <p>The Guarantors are established for a (renewable) definite term of 18 years. If the participating shareholders of a Guarantor do not renew, such Guarantor will be put into liquidation. Even if the term is renewed, certain shareholders may exit the Guarantors at the end of the term (or, in a limited number of cases, before the end of the term). If such non-renewal or exit would happen, this may have material adverse consequences on the financial position of such Guarantor.</p>
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Section E – Offer

Element	Disclosure requirement	Disclosure
E.2b	Reasons for offer and use of proceeds	<p>The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p>[Reasons for the offer: [●]]</p> <p>[Use of proceeds: [●]]</p>
E.3	Terms and conditions of the offer	<p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms.</p> <p>[An Investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such Investor including as to price, allocations, expenses and settlement arrangements.</p> <p>The Investor must look to the relevant Authorised Offeror for the provision of such information and the Authorised Offeror will be responsible for such information.</p> <p>The Issuer, the Guarantors, nor any Dealer has any responsibility or liability to an Investor in respect of such information.]</p> <p>Item [•] of Part B of these Final Terms specifies the terms and conditions of the offer applicable to the Notes.</p>
E.4	Material interests	<p>The Issuer and the Guarantors have appointed Belfius Bank SA/NV and HSBC France (the "Co-Arrangers") as Co-Arrangers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Co-Arrangers are set out in the Programme Agreement made between the Issuer, the Guarantors and the Co-Arrangers.</p> <p>The Co-Arrangers might have conflicts of interests which could have an adverse effect to the interests of the Noteholders.</p> <p>Potential Investors should be aware that the Issuer is involved in a general business relation or/and in specific transactions with the Co-Arrangers and that they might have conflicts of interests which could have an adverse effect to the interests of the Noteholders. Potential Investors should also be aware that each of the Co-Arrangers may hold from time to time debt securities, shares or/and other financial instruments of the Issuer.</p> <p>[Save for [•], t][There are no conflicts of interests between the</p>

		<p>members of the board of directors, the HR Committee and the Audit Committee of the Issuer, and between the members of the board of directors of the Guarantors, and their respective private interests or other duties.</p> <p>[Other than as mentioned above and as far as the Issuer is aware, the following persons have an interest material to the issuer/offer: [•]]</p>
E.7	Estimated expenses charged to the Investor	<p>[Not Applicable] [No expenses will be chargeable by the Issuer to an investor in connection with any offer of Notes][The following expenses are charged to an investor by [the Issuer]: [●]]</p> <p>[Expenses may be chargeable to Investors by the Authorised Offerors in accordance with any contractual arrangements agreed between the Investor and an Authorised Offeror at the time of the relevant offer; these are beyond the control of the Issuer and are not set by the Issuer. Investors are invited to inform themselves on the costs and fees that will be charged by the relevant Authorised Offerors in relation to the subscription of Notes.]</p>

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantors to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantors based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus including any documents incorporated by reference and reach their own views prior to making any investment decision, and consult with their own professional advisers if they consider it necessary.

Terms defined in “Terms and Conditions of the Notes” below shall have the same meaning where used below.

Due to the particular structure of the economic group comprising of Eandis, its Subsidiaries (as defined in the Conditions) and the Guarantors, all risk factors set out below relate to this economic group as a whole, and not just to Eandis.

Factors that may affect the Issuer’s and the Guarantors’ ability to fulfil their obligations under or in connection with Notes issued under the Programme

Risks Related to the Regulatory Framework at the European, Federal and Regional Levels

The Issuer’s and the Guarantors’ revenues, and the conduct of their activities, are dependent on the actions and decisions of law making and regulatory bodies in Flanders, Belgium and Europe. The related risks mainly include the following:

The regulatory framework is evolving, which may affect the Issuer’s and Guarantors’ operational and financial performance.

The Issuer’s and Guarantors’ activities are subject to extensive regulation at three levels: European, Belgian and Flemish. The regulatory framework is quite recent and has been modified and extended on several occasions. The said regulatory framework was put into place since the mid-nineties in view of the implementation of the First European Energy Directives¹. In the following years, the framework went through an evolutionary process that focused on strengthening the liberalised energy market with the Second European Energy Directives² leading to functional unbundling of commercial and distribution activities. The Second European Energy Directives required as of 1 July 2007 the legal and functional separation of the

¹ With regard to the electricity market it concerns Directive 96/92/EC of 19 December 1996, *OJ L 27*, 30.1.1997, p. 20–29 (the “**First Electricity Directive**”); for the gas market, it concerns Directive 98/30/EC of 22 June 1996, *OJ L 204*, 21.7.1998, p. 1–12 (the “**First Gas Directive**”).

² With regard to the electricity market it concerns Directive 2003/54/EC of 26 June 2003, *OJ L 176*, 15.7.2003, p. 37–56 (the “**Second Electricity Directive**”); for the gas market, it concerns Directive 2003/55/EC of 26 June 2003, *OJ L 176*, 15.7.2003, p. 57–78 (the “**Second Gas Directive**”).

distribution activities from other activities not relating to distribution. The recent "**Third Energy Package**"³ continues this trend, also grants greater autonomy to the regulator to fix or approve the tariffs. This Third Energy Package has been implemented into federal law by the Law of 8 January 2012⁴ (the "**Law**").

The Law reinforces the independence of the regulator and its tariff setting powers. The Commission for the Regulation of Electricity and Gas ("**CREG**") now has the exclusive power to establish (although after "structured, documented and transparent" consultation with the Guarantors) the tariff methodologies to be used by the DSOs as a basis for their tariff proposals, and to subsequently approve these tariff proposals. In October and November 2011 the CREG had already initiated a limited consultation procedure with the Guarantors in order to establish the tariff methodologies for the regulatory period 2013-2016. However, as the new Law requires a more profound consultation procedure and several guidelines to be followed when establishing the tariff methodology, the consultation procedure will need to be restarted.

The CREG filed a request for annulment before the Constitutional Court in June 2012 invoking that the new Law infringes the rules laid down in the European Directives, arguing amongst others that the guidelines to be followed by the regulator when establishing the tariff methodology and other provisions breach the independency standard of the regulator required by the Third Energy Package. Yet, on 7 August 2013 the Constitutional Court rendered a judgement in which it decided that these guidelines together with the vast majority of the other provisions of the Law in relation to the tariff setting rules are valid and compliant with the European directives. The Constitutional Court annulled only a limited number of provisions of the Law and such annulment will only have a remote impact on the activities of the Issuer and the Guarantors.

In the meantime, the CREG has frozen the tariffs for the years 2013 and 2014 (see section *Prolongation of the tariffs for 2013 and 2014* on page 38 below). In addition, by 2015 it is envisaged that the powers relating to the grid distribution tariffs will have been transferred to the regional regulators pursuant to the recent Belgian institutional agreement (see section *Transfer of tariff-setting competences to the regional regulators* on page 39 below). Following this transfer the new tariff methodology will need to be drawn up by the regional regulator, the Flemish Regulator of the Electricity and Gas Market (the "**VREG**"). It cannot be excluded that the tariff freeze may be extended beyond the end of 2014 or that transitional tariffs would be based on a tariff methodology similar to the existing one pending the legislative work which needs to be done for the transfer of tariff competences and the tariff harmonisation resulting from the possible merger of DSOs and the operating companies (see section *Risks related to a likely tariff harmonisation and a possible merger of the DSOs and the Flemish operating companies Eandis and Infrax* on page 40 below).

The regulatory framework governing the DSOs is fairly recent, has been extensively adapted and expanded on several occasions, and is expected to further evolve in the near future. Changes to the current regulatory framework may adversely affect Eandis' and the Guarantors' business and performance.

Inconsistency between rules issued by various competent authorities may create a potential risk for Eandis and the Guarantors

The Federal State and each of the Belgian Regions have set up their own regulatory framework and their own regulating body for the electricity and gas market. This situation may result in inconsistencies between these respective legislative frameworks and between measures taken by the different regulatory bodies. These inconsistencies could be situated on a technical level, on a financial level (e.g. accounting guidelines) or in the

³ With regard to the electricity market it concerns Directive 2009/72/EC of 13 July 2009, *OJ L 211*, 14.8.2009, p. 55–93 (the "**Third Electricity Directive**"); for the gas market, it concerns Directive 2009/73/EC of 13 July 2009, *OJ L 211*, 14.8.2009, p. 36–54 (the "**Third Gas Directive**").

⁴ 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 the transport of gaseous and other products by pipes (*Belgian State Gazette*, 11 January 2012).

field of public service obligations. For example, the cost of certain public service obligations applicable to the Guarantors in accordance with regional legislation or the instructions of the regional regulator may not be taken into account on the federal level by the CREG when determining the distribution tariffs or tariff methodologies. Nevertheless, the risk that these costs would not be included in the tariffs is reduced by the provisions previously contained in the Royal Decrees of 2 September 2008 (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. Although the Tariff Decrees have been repealed by the Law the provisions contained therein remain relevant given the current prolongation of the tariffs for 2013 and 2014 and when decisions need to be taken in respect of any period up to the end of 2014. For instance the incentive regulation mechanism, and in particular the provisions to calculate the regulatory balances, provided by these Tariff Decrees should still be applied to the regulatory period 2009-2012 (including the years 2013 and 2014 for which the tariffs are frozen at the 2012 price level) to the extent the principles included in these Decrees do not contravene the Third Energy Package as implemented in the Law. In addition, as already mentioned, the competences relating to the grid distribution tariffs in Belgium are expected to be transferred in 2015 from the federal regulator to the respective regional regulators thereby reducing the risk of inconsistencies between legislation and regulation on different levels. However, after the likely transfer there remains a risk that the future regional decrees and regulations will regulate the distribution grid fees differently.

The possibility of diverging rules and the transfer of competences relating to the grid distribution tariffs create potential risks for the economic group. Neither the Issuer, nor the Guarantors can predict how any potential resulting inconsistencies will be resolved by the relevant authorities and how the transfer of the competences will be implemented in the future. These uncertainties may affect the Issuer's and/or Guarantors' business and results of operations.

Tariff decisions by the competent regulator may negatively affect the Guarantors' results of operations

As further explained in section 2.1 (*Organisation of the Belgian Electricity Market*) of "Description of the Issuer and the Guarantors" on page 81 below, the distribution grid fees applied by the DSOs are generated by the tariffs set pursuant to specific regulations under the supervision of the CREG.

The tariffs are based on a "cost-oriented" system in which each DSO's estimated costs (both operational and financial, as well as capital costs) are in principle passed through in the tariffs. The system is such that the individual DSOs must submit a gas and electricity tariff proposal for approval with the competent regulator⁵ before the start of a regulatory period on the basis of its estimated costs ("*ex ante control*"). The DSOs must also supply data on their actually incurred costs when these are available ("*ex post control*"). Both in the ex ante as well as in the ex post control, the regulator can challenge costs because it deems these costs unreasonable or inappropriate. The regulator is entitled to do this for example on the basis of a comparative analysis of the costs incurred by other operators of a distribution system. However, costs that were deemed reasonable by the regulator in the ex ante control cannot be rejected any more at the ex post control for reasons other than the fact that they have not actually been incurred.

Settlement of deviations from budgeted values and incentive regulation mechanism

On a yearly basis, the CREG will compare the non-manageable costs actually incurred with the non-manageable costs as foreseen in the budget upon which the original tariff proposals were based. The deviations of non-manageable costs are registered by the Guarantors on an accrual account prior to an approval of the level of these deviations by the CREG following the end of each year of a regulatory period either as a receivable (in case the non-manageable costs actually incurred are higher than the budgeted costs)

⁵ As mentioned, it is expected that those competences will be transferred from the federal regulator (CREG) to the respective regional regulators (for the Flemish Region, this is the VREG). The expected transfer will probably be adopted and take effect in 2015.

or as liability (in case the non-manageable costs actually incurred are lower than the budgeted costs). The same mechanism applies to the actual volumes of electricity and gas distributed by the Guarantors which are compared to the forecasts of volumes. 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 differences (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.

The existing regulatory framework also provides for an incentive mechanism for the Guarantors to operate more efficiently. In the regulatory period (2009-2012) this incentive regulation mechanism took the form of a one-off efficiency improvement factor for manageable costs ("beheersbare kosten") at the beginning of the regulatory period that was set at 2.5%⁶. The deviation of "manageable costs", i.e. the difference – established yearly ex-post – between the actual costs on the one hand and the budgeted 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 Guarantors and their shareholders and will not impact the tariffs neither during nor after the regulatory period.

The new Law determined that the incentive regulation mechanism shall be incorporated in the tariff methodology to be established by the regulator and that it shall need to indicate on which categories of costs the incentive regulation shall apply. The latter provision has been annulled by the Constitutional Court in its decision of 7 August 2013. Hence it will be up to the CREG to determine on what categories of costs the incentive regulation will apply. It cannot be excluded that the CREG will apply it to a greater number of categories of costs. The CREG could for instance apply the incentive mechanism not only to the manageable costs, as is the case to date, but also to the non-manageable costs of the Guarantors.

In addition, the guidelines in the new Law (which have been confirmed by the Constitutional Court in its judgement of 7 August 2013 as described in more detail in paragraph *(The Law of 8 January 2012 on page 95)* provide that for the comparative efficiency analyses which the CREG should perform in the next regulatory period the regulator should only evaluate the existing DSOs against comparable DSOs. Moreover, the CREG should take into account the objective differences between the different DSOs and apply high standard criteria and transparent, homogeneous and trustworthy data and should ensure that a DSO whose efficiency performance is approximately around market average can recuperate all its costs and receive a normal remuneration of its capital.

Hence, the risk that the CREG would set the efficiency targets at an unrealistic level is in principle mitigated by the guidelines in the Law. Moreover, the risk for the DSOs of being imposed unrealistic efficiency targets should not apply during the years 2013 and 2014 (and probably 2015) as the DSOs will be able to continue to charge the tariff level of 2012. For the years 2015/2016 and thereafter, with the expected regionalization of distribution tariffs, the risk will depend on the attitude of the regional legislator and regional regulator. In this respect it is necessary to emphasise that due to the envisaged transfer of the tariff competencies to the regional regulators, the federal legislation will continue to apply until the regional authorities concerned have repealed or replaced the federal legislation. Consequently, the VREG will be required to take this legislation into account, and in particular the guidelines contained in the Law until such federal legislation has been repealed or replaced. Nevertheless, it is still possible that the Guarantors are not able to pass on all of their (manageable and non-manageable) costs in their distribution tariffs.

⁶ For future regulatory periods, the coefficient can be determined by benchmarking the efficiency of a DSO in comparison with other DSOs.

Risk of challenge of previous CREG tariff decisions

As further described in more detail in the section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) of "Description of the Issuer and the Guarantors" below under the heading "*Material litigations which could challenge previous tariff decisions made by the CREG*" on page 93, several litigations have cast doubts on the validity of the tariff decisions made by the CREG.

1. Several consumers filed a civil action against Electrabel before the Justice of the Peace (*Vrederechter/ Juge de Paix*) of Deurne to reclaim the distribution fees paid during the years 2009 and 2010 on the motivation that they would have been charged without valid legal basis. 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 legal discussions surrounding the validity of the Tariff Decrees should not lead to a repayment of all distribution fees. This argument was recently defended by the CREG as well in its written submissions deposited on 21 December 2012. 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. Furthermore, the same reasoning was followed in the decision of the Brussels Court of Appeal on 26 June 2012 (in connection with the litigation described in the next paragraph) in which the Court stressed 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.

2. The validity of the decision of the CREG to increase the existing distribution tariffs of the Guarantors was challenged. The claimants mainly argued that these adjustment decisions were incorrectly based on the Third Electricity Directive. On 26 June 2012 the Court of Appeal of Brussels confirmed in an interlocutory judgement that these decisions were formally invalid but that the tariff increases were in principle justified. However, the Court refused to annul these decisions and submitted a preliminary ruling to the Constitutional Court inquiring whether the impossibility for the Court of Appeal of Brussels to uphold certain effects of annulled tariff decisions is not contrary to the constitutional principle of non-discrimination since the Council of State does have this capacity. On 9 July 2013 the Constitutional Court delivered a judgement on this matter and considered that this is not the case since tariff decisions by the CREG are not regulations but individual administrative decisions for which even the Council of State lacks modulating competences. It is now to be seen whether the Court of Appeal will annul the Guarantors' tariff decisions following this preliminary ruling. Although the decision of a judge can never be forecast, it can be argued that since the preliminary decision of the Court of Appeal of June 2012, the decisions by the CREG of 6 December 2012 approving the injection tariffs (as further explained in section "*Introduction of injection tariffs*", page 96) constitute an implicit validation of the previous tariffs and that these cannot be annulled retroactively by the claimants in this case. Yet, until the Court of Appeal has delivered a final judgement or the CREG has taken a rectifying decision, there is a risk that consumers file a civil action before a court in order to reclaim the distribution fees paid since the tariff increase on the motivation that they would have been charged without valid legal basis.

3. The decision of the CREG to approve an injection tariff chargeable to Prosumers⁷ by the Guarantors (as further explained in section "*Introduction of injection tariffs*", page 96) has been challenged before the Court of Appeal of Brussels by several owners of photovoltaic panels and organisations defending their interests. 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. It should in that respect be

⁷ The term "Prosumers" (a combination of the terms 'producers' and 'consumers') refers to grid users which both use the grid to withdraw electricity and to inject electricity and additionally benefit from reverse net metering (the "*terugdraaiende meter*"). Their injected electricity is produced by their own small decentralized generation installation (equal to or less than 10KW such as solar panels or others) and exceeds the volumes of electricity used for their own consumption.

noted that awaiting a final judgement of the Court of Appeal of Brussels five suppliers⁸ currently refuse to include this injection tariff in their clients invoices. The Flemish Minister of Energy has already strongly denounced this action and it is expected that the Issuer and/or Guarantors will undertake the necessary legal steps to oblige them to cease this unnecessary and unlawful feat. Very recently this court 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. This recent judgement does not exclude the validity of injection tariffs *per se*, but it clearly stresses that any injection tariff should be adequately motivated by the regulator, cost-reflective, specific for the services rendered and not-compensatory. Although the outcome of the proceedings before the Court of Appeal of Brussels cannot be predicted, it cannot be excluded that the Court of Appeal takes a similar stance in this litigation and annuls the injection tariffs imposed on Prosumers. A judgement is expected in the autumn of 2013.

In the event that the above described procedures would result in the reimbursement of the distribution tariffs and in the improbable scenario that the CREG would not make the appropriate ratifying decisions, the financial position and the profits of the Issuer and the Guarantors could be endangered.

Prolongation of the tariffs for 2013 and 2014

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, thus leaving it up to the regional regulator(s) to set the tariff framework based on the then applicable (regional) regulation. This prolongation could however impact the profits of the Guarantors in 2013 and 2014 (and if further extended, possibly 2015) as this could imply that several costs and investments will not be reflected in the tariffs for that period. It is for example conceivable that the cost of inflation, a sudden change of distributed volumes and changing circumstances on the financial markets will not lead to higher tariffs. At the same time investments in regulated assets would, for the part exceeding depreciation of existing assets, not result in higher tariffs before 2016. It is hence possible that the DSOs will be faced with the risk that the recuperation of these additional costs and investments through the distribution grid tariffs will be spread over a longer period than initially expected. Moreover, it is possible that the prolongation of the 2012 distribution grid tariffs into 2013/2014 may be extended for one more year until the end of 2015 if the legislative work to be carried out in order to realise the transfer of tariff-setting competences to the regional regulators takes more time than initially expected (as further described in the paragraph below “*Transfer of tariff-setting competences to the regional regulators*”, page 39) or if time is needed to accommodate the introduction of a uniform tariff (as further explained in more detail in section “*Risks related to a likely tariff harmonisation and a possible merger of the DSOs and the Flemish operating companies Eandis and Infrax*”, page 40). However, at present no formal decision to extend the tariffs until the end of 2015 has been taken by the relevant regulator⁹.

Furthermore, although the decision by the CREG to prolong the previous tariffs for 2013 and 2014 remains silent in respect to what will happen with the tariff balances resulting from the previous regulatory period (2009-2012), it is possible that the CREG will make a decision on the level of the residual balances in the second half of 2013 as is required under the guidelines inserted in the Law. Such a ratifying decision will in principle cover both the years 2010 and 2011 which are still outstanding and 2012 and the global regulatory period 2009-2012. The allocation and the recovery of the cumulative balances in the next regulatory period

⁸ To be precise Electrabel, EDF Luminus, Eni, Eneco and Essent.

⁹ Which regulator, the CREG or the VREG, who will take this decision will depend on the timing and the actual delay caused by the legislative work to realise the the transfer of tariff-setting competences. In this respect it should be noted that if the VREG would take this decision a minimal Flemish legislative framework should already be in place consisting at least of (i) provisions regarding the designation of the VREG as Flemish regulator in relation to tariffs and (ii) provisions allowing tariff decisions to be taken by the latter.

should be decided by the VREG, the regional regulator who will become responsible for distribution tariff matters in the future.

The expected decisions of the federal and regional regulators on these balances and more particularly the rules of allocation could endanger the financial position and the profits of the Issuer and the Guarantors.

Transfer of tariff-setting competences to the regional regulators

In Belgium, the First and Second Electricity and Gas Directives, as well as the Third Energy Package, were translated into federal and regional legislation, taking into account the division of powers on energy matters between the federal and the regional levels in the country, as they exist today.

Within the framework of a new state reform in Belgium elaborated by the federal government, there is a political agreement on the transfer of competency on distribution grid tariffs from the federal level to the regional level. One may reasonably expect that the Flemish energy regulator VREG (and no longer the federal energy regulator CREG) will become competent for the distribution grid tariffication from 2015 onwards.

After this transfer of competence to the regional level, federal legislation remains applicable until such time as the relevant regional legislator has repealed or replaced the federal legislation. Consequently, it is to be seen what the new Flemish legislator will implement as part of its new competences and what type of tariff methodology the Flemish regulator VREG will establish. A change of tariff setting policy, *e.g.* with regards to the allocation and recovery of the past or future tariff balances for the incentive regulation mechanisms, could endanger the profit generating capability of the Guarantors and the Issuer.

Nevertheless, it is to be restated that in any case the regional legislator and the VREG 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 should guarantee the long-term ability of the system to meet reasonable demands for the distribution of electricity and gas. In addition, the tariff methodology should allow the DSOs to ensure the necessary investments in the networks to be carried out in a manner allowing those investments to ensure the viability of the networks.

The envisaged transfer of tariff-setting competences to the regional regulators may lead to amendments of the existing regulatory framework, and might thus negatively affect the Issuer's and the Guarantors' operations and their capacity to generate revenue.

Risk of an inefficient green power certificates market

The market for green power certificates has become inefficient and has resulted in financial expenses which can only be recuperated (wholly or partly) by the DSOs at a later date (*i.e.* in the next regulatory tariff period). However, the reform of the green power certificate mechanism (as further described in sub heading Green Power Certificates in the section 8 (*Trends in the market in which the Issuer and the Guarantors are active*) of "Description of the Issuer and the Guarantors on page 139 below) should in principle rebalance the market for green power certificates and alleviate the pressure of the purchase obligation on the DSOs.

Early termination of the Issuer's status as operating company and the Guarantors' license of DSO, non-commercial nature of the Guarantors

The Guarantors were originally appointed as DSOs on 5 September 2002 (for electricity) and on 14 October 2003 (for gas, except for IMEA that was appointed on 17 December 2008) by decision of the VREG, the Flemish energy regulator, for a period of 12 years. This appointment may or may not be renewed upon expiry of the 12-year period. In addition, it is subject to early termination by the VREG under certain circumstances including:

- (i) bankruptcy, winding-up, merger or demerger of the DSO;

- (ii) serious breach of the DSO's obligations; or
- (iii) significant changes in the shareholder structure of the respective DSOs or the Issuer that could jeopardise the independent management of a distribution network.

Eandis was recognised as the Guarantors' operating company by decision of the VREG dated 29 October 2009. Although the Law does not explicitly provide for this, one cannot rule out the risk that the VREG decides to withdraw this recognition, if the operating company seriously breaches its legal duties.

If the appointment of a Guarantor as a DSO, or the recognition of Eandis as operating company, is terminated before the expiry of the licence or is not renewed upon expiry of the license, there may be material, negative consequences on the Issuer's and the targeted Guarantor's activities, profits and financial situation.

Due to their non-commercial nature, the Guarantors are not considered merchants by the law of 22 December 1986 and the Decree of 6 July 2001. As a consequence, the Guarantors cannot be subject to bankruptcy.

Immunity of execution

The Guarantors are public law entities. Under Belgian law, such entities have the duty to perform at all times their tasks of public service (concept of the continuity of the public service). Pursuant to Article 1412bis of the Belgian Judicial Code, assets owned by a public law entity (such as the Guarantors) benefit from an immunity of execution as a result of which they cannot be seized. This immunity of execution does not apply to assets that are manifestly not useful for the performance or the continuity of the public service.

This means that e.g. the distribution networks (cables and pipelines) owned by a Guarantor cannot be seized by the Noteholders in case of default. Although this limits the enforceability of the obligations of the Guarantors, the upside is that the Guarantor will be in a position to continue to perform its duties of public service and thus generate revenues. This immunity of execution is not to be considered as an immunity of jurisdiction.

There may be an argument that the assets of the Issuer would also benefit from immunity of execution. This argument is not entirely convincing mainly because the Issuer is not a public law entity. In any event, the Issuer does not benefit from immunity against judgements being rendered against it.

Risks related to a likely tariff harmonisation and a possible merger of the DSOs and the Flemish operating companies Eandis and Infrax

In May 2013, the Issuer and Infrax (which is the operating company for other Flemish DSOs (*i.e.* other than the Guarantors)) have discussed with the Flemish government the possibility to gradually introduce a uniform distribution tariff in the Flemish Region from 1 January 2016 onwards. To facilitate the introduction of such uniform tariff, the Guarantors and the Infrax DSOs may merge into two respective DSOs. In addition, to accommodate the introduction of uniform tariffs, the tariff freeze for the years 2013 and 2014 may be extended until the end of 2015.

The merger of the Guarantors into one mixed DSO should not negatively impact the position of the investors. Also, it has to be seen how a uniform distribution tariff will be implemented by the VREG and the Flemish authorities and whether such uniform tariff will adequately reflect the cost base of the Guarantor(s) and the Issuer. In case such a uniform tariff would not sufficiently cover all costs of the Guarantor(s) and the Issuer, their financial position and profits could be affected.

Risks related to a potential change of liability regime applicable to the Flemish DSOs

The Flemish government has approved a predraft Decree amending the current liability regime of DSOs. The existing liability framework, predominantly based on Belgian common law on the one hand and the DSO's

own codes¹⁰ on the other hand, is deemed not to sufficiently reimburse grid users in case of damages. This is mainly due to the heavy burden of proof imposed on grid users pursuant to Belgian tort law and liability exemptions contained in the grid codes used by certain DSOs. To resolve this, the predraft *inter alia* introduces a compensatory payment obligation for the DSOs in case of damages suffered by the grid user in situations of power disturbances, delays for connections or reconnections to the grids and extended unplanned power outages. In contrast to general Belgian tort law the DSO's liability is in certain cases based on the principles of strict liability and in others the burden of proof is imposed on the DSO and not on the grid user.

In case the principles included in the predraft become legally valid, the Guarantors could be faced with a higher number and amounts of claims and additional litigation costs. However, the predraft stipulates that the payment obligation for the DSO should be reasonable and the new liability regime should take into account the financial impact on the DSOs.

Operational Risks of the Business

Eandis may be held liable in case of security of supply issues, distribution system disruptions or system breakdowns.

The Issuer foresees that in the coming years we will see a further shift towards decentralised electricity production. At the regional and national level, and within the European framework, the Issuer is analysing how the rising number of decentralised electricity generation units can be integrated into the electricity distribution system while ensuring the stability and viability of the system. This development, as well as the adaptation from low calorific gas to high calorific gas of parts of the gas distribution network, is subject to prior approvals and permits, delivered by a range of authorities. Obtaining these approvals and permits in a timely fashion is an uncertainty for the timely implementation of these projects. In addition, these approvals and permits may be challenged before the competent courts.

Although the distribution system networks operated by Eandis are among the most reliable in Europe, incidents in the systems may lead to a local or a general interruption of supply. Such outages may be caused by natural phenomena, unforeseen incidents or operational problems. The general terms and conditions of Eandis' and the Guarantors' standard contracts aim at limiting their liability to a reasonable level. Insurance policies are further designed to offset the financial repercussions of this risk even further.

Eandis operates facilities that may cause significant harm to its personnel or third parties

The Issuer operates facilities that may cause significant harm to the human environment or for which accidents or external attacks may have serious consequences.

Since the gas and electricity distribution systems operated by Eandis cover large geographic areas, and although all reasonable precautions and safety measures have been put in place, they are vulnerable to possible acts of sabotage or terrorism. Such acts may seriously disrupt the continuity of service.

A failure of IT systems and processes used by the Issuer constitutes a considerable risk

Eandis' operations depend, to a large extent, on its IT system (including hard- and software, but also a glass fibre network used for communication purposes). This IT system is essential for an efficient and reliable operation of the electricity and gas networks operated by Eandis.

Eandis has taken extensive protective measures with a view to safeguard its IT system. However, these measures cannot guarantee that no important system failures will occur.

¹⁰ "reglementen".

Risks associated with the services delivered by Eandis

If the services rendered by Eandis to external customers in its core business activities (e.g. infrastructure operations in the public domain or for the benefit of residential and other energy end users) turn out to be insufficient or of a below par quality level, this might lead to a decline in the appreciation for Eandis as an operating company by shareholders, stakeholders or public authorities. In the longer run, this might endanger Eandis in its position as the operating company for the Guarantors.

Eandis may incur significant costs to comply with environmental and city planning laws

The Issuer and Guarantors may be affected by expenditures needed to keep up with environmental and city planning laws and regulations, including costs associated with implementing preventive or curative measures, permit refusals or settling third-party claims.

The Guarantors' policy has been developed and is monitored in such a way as to effectively manage these regulatory risks. Where a Guarantor is in any way liable for decontamination, the appropriate provisions are created. However, further amendments to environmental and city planning laws or regulations may mean that the relevant Guarantor has to create additional contingency reserves.

Eandis may incur significant losses if it cannot succeed in attracting and retaining enough qualified and competent personnel

Eandis pursues an active recruitment policy which aims at maintaining an appropriate level of expertise and know-how in a tight labour market, given the highly specialised nature of the business. If, however, the company does not succeed in attracting and retaining the staff required for its activities, this may adversely impact its operations.

Risk of defective databases

If the data in Eandis databases turn out to be insufficient or incorrect, this may severely hinder the company in carrying out its duties and will result in extra costs or losses.

Eandis takes extensive measures to keep its databases up-to-date and protected. However, in case of inadequacies or loss, its operations may be severely hindered.

Risks related with the relocation of cables or pipelines

In certain circumstances the Guarantors may be required by third parties or by regulators to relocate certain cables or pipelines at their own expense. Such relocation costs may be substantial.

Risks associated with Eandis' corporate strategy

The corporate strategy outlined by Eandis may be challenged by several external factors, forcing Eandis to adapt its strategy. These external factors may include new legislation or regulation, an inefficient market model, a lack of available resources (financial, logistical, human resources or otherwise) on the market. Internally, the corporate strategy may be challenged by a defective strategic planning, or the inadequate management of projects.

Risks related to corporate governance at Eandis and/or the Guarantors

Although Eandis and the Guarantors have put in place an extensive set of detailed governance rules and procedures, it cannot be completely ruled out that e.g. an inadequate treatment of complaints, an inadequate functioning of their audit or governance bodies, an inefficiency in its/their company administration, might have adverse consequences on the Issuer's and/or the Eandis Economic Group's interests.

Financial Risks of the Business

Interest rate risk

Although financial charges are considered as non-manageable costs that can in principle be passed on to the tariffs, changes in interest rates during a particular regulatory period will only be recovered in a subsequent regulatory tariff period (except in the event of exceptional change in charges in which case a request can be made for an amendment of the tariffs within the same regulatory period). To minimise this pre-financing, the Issuer's and the Guarantors' boards of directors strive at achieving an optimal ratio of fixed and variable interest rates. Interest rate swaps have been entered into in relation to all outstanding loans with variable interest rate.

Risks associated with financial debt outstanding

The access of the Issuer and the Guarantors to global sources of financing to cover their financing needs or repayment of their debt could be impaired by the deterioration of financial markets. On 31 December 2011, the aggregate financial indebtedness of the Eandis Economic Group amounted to EUR 4,235,369,000. On 31 December 2012, the aggregate financial indebtedness amounted to EUR 4,618,910,000. EUR 659,866,000 of long term loans was due within one year as of 31 December 2012. Please refer to section 5.7 (*Financing of the Eandis Economic Group*) of "Description of the Issuer and the Guarantors" for more information hereon.

As at 31 December 2012, the ratio of long-term and short-term debt to equity of the Eandis Economic Group (calculated according to IFRS) was 1.66. The same ratio as at 30 June 2013 was 1.51. It is the intention of the Issuer and the Guarantors to move in the long term towards a balance sheet structure for each individual Guarantor in which a maximum of up to two thirds of their assets is financed through debt (i.e. a ratio of up to 2, for regulatory purposes calculated according to Belgian GAAP), which proportion is considered to be the ideal financing structure by the CREG (in which respect please refer to section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) in "Description of the Issuer and the Guarantors" on page 89 below. However, for rating purposes and more specifically in order to maintain a favourable rating with the rating agency Moody's Investor Services Inc., the Eandis Economic Group aims at a sufficient level of equity on its balance sheet.

The level of debt of the Issuer and the Guarantors might:

- make it more difficult for the Issuer and the Guarantors to satisfy their obligations, including interest payments;
- somewhat limit their ability to obtain additional financing to operate their business;
- to a certain degree limit their financial flexibility in planning for and reacting to industry changes;
- increase their vulnerability to general adverse economic and industry conditions; and
- require them to dedicate a substantial portion of their cash flows to payments on debt, reducing the availability of their cash flows for other purposes.

The Issuer and the Guarantors may borrow additional funds to support their capital expenditures and working capital needs and to finance future acquisitions, e.g. in the form of bank loans or other debt instruments. It has to be pointed out that within the current regulatory framework regulating the DSOs and their operating company, such as Eandis, all financial costs based at fair market conditions are considered to be embedded costs and can therefore be passed through into the distribution grid fees.

If the Issuer and the Guarantors do not generate positive cash flows, they will be unable to fulfil their debt obligations

The ability of the Issuer and the Guarantors to pay principal and interest on the Notes and on their other debt depends primarily on the regulatory framework and the regulated tariffs (please see in particular the risk factors *The regulatory framework is evolving, which may affect the Issuer's and the Guarantors' operational and financial performance* on page 33 above and *Tariff decisions by the competent regulator may negatively affect the Guarantors' operations* on page 35 above, as well as on their future operating performance.

Please also note that the amount of trade receivables of the Guarantors that remain unpaid at the date hereof is increasing. This is due to the uncertainty currently surrounding the *ex-post* verification and settlement of the tariffs applied by the Guarantors, in which respect please refer to section 5.4 (*Selected consolidated historical financial information of the Eandis Economic Group for the financial years ended 31 December 2012 and 31 December 2011*) of "Description of the Issuer and the Guarantors" on page 129 below. No credit insurance was taken out in respect of these claims.

Changing conditions in the credit markets and the level of the outstanding debt of the Issuer and the Guarantors can make the access to financing more expensive than anticipated and could result in greater financial vulnerability. Consequently, the Issuer and the Guarantors cannot assure investors that they will have sufficient cash flows to pay the principal, premium, if any, and interest on their debt. If the cash flows and capital resources are insufficient to allow the Issuer and the Guarantors to make scheduled payments on their debt, the Issuer and the Guarantors may have to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance their debt. There can be no assurance that the terms of their debt will allow these alternative measures or that such measures would satisfy their scheduled debt service obligations. If the Issuer and the Guarantors cannot make scheduled payments on their debt, they will be in default and, as a result:

- their debt holders could declare all outstanding principal and interest to be due and payable; and
- their lenders could terminate their commitments and commence foreclosure proceedings against its assets.

Funding risk

Funding risk is the risk that the Issuer and the Guarantors will be unable to access the funds that they need when it comes to refinance their debt or through the failure to meet the terms of their credit facilities. As part of the mitigation efforts regarding the funding risk, Eandis and the Guarantors aim at a diversification of financing sources. Short term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines and commercial paper. Cash is maintained, where necessary, to guarantee the solvency and flexibility of the Issuer and the Guarantors at all times. Please refer to section 5.7 (*Financing of the Eandis Economic Group*) of "Description of the Issuer and the Guarantors" for more information hereon.

Credit, market, capital structure and liquidity risk

In the framework of their normal business, the Issuer and the Guarantors face credit, market, capital structure and liquidity risk. The credit risk faced by Eandis and the Guarantors stems from uncertainties on the liquidity and solvability of their counterparties. Eandis and the Guarantors periodically assess their balance sheet structure but have no certainty as to the appropriateness of this structure in relation to their activities and funding needs. In this regard, there is a risk that Eandis and/or the Guarantors may encounter difficulties in meeting their financial liabilities. The Issuer and the Guarantors limit this risk to the extent possible by scrutinising cash flows continually and by making sure that credit facilities are available.

Risks Related to the Shareholding Structure of the Issuer and the Guarantors

A failure of Eandis to remain appointed as operating company of the Guarantors would seriously endanger the Issuer's viability

The Issuer's shareholders, seven of the DSOs, have appointed the Issuer as their operating company. This appointment is in line with the Flemish Energy Decree of 8 May 2009 that enables DSOs to make use of a common operating company. However, there is a remote risk that some or all of the DSOs that are currently using the Issuer as their operating company decide to terminate their cooperation with Eandis, thus endangering Eandis' viability and its ability to repay the principal and/or the interests on the Notes. In practice, this risk is mitigated by the continued existence of the Guarantees and the fact that every termination of cooperation needs approval by the shareholders meeting of the relevant DSO with a majority of at least 75 per cent.

A failure of the Guarantors to retain their participating members could have an impact on their scale and viability

In line with legal obligations, the Guarantors were established for a limited but renewable duration of 18 years (an exception is made for Gaselwest and Sibelgas that are not bound to this same 18 year term). If the shareholders of the Guarantors do not decide according to the procedure contained in the articles of association of these respective public law entities to renew the duration of the respective Guarantors at their current termination dates, the respective Guarantor will be put in liquidation. Even in case the shareholders of a Guarantor decide to renew the duration of that Guarantor, each of the participating public authorities has the right to step out of a Guarantor at its current statutory termination date. The current termination dates of the respective Guarantors are as follows: Gaselwest (21 February 2023), IMEA (9 November 2019), Imewo (9 November 2019), Intergem (14 September 2018), Iveka (31 December 2016), Iverlek (9 November 2019) and Sibelgas (25 April 2026).

For historic reasons, some of the municipalities participating in Iveka, Intergem and IMEA may already decide to terminate their association in these respective DSOs by 31 December 2014, but only for the gas distribution activity. Such decision might have a considerable impact on the scale and the operating profits of these Guarantors. However, the share that any such resigning municipality will obtain upon its resignation in any Guarantor will be calculated by reference to the net assets of the relevant Guarantor. Given the fact that the proceeds of the Notes will be on lent by the Issuer to the Guarantors, the net assets of each of the Guarantors will reflect its prorata share in the Notes.

In addition to this, the shareholders of the respective Guarantors may liquidate a Guarantor at any time by vote of a special majority described in the articles of association of the respective Guarantors. A liquidation of one or more Guarantors may affect the Notes.

Financial challenges relating to the exit of Electrabel in the shareholding of certain Guarantors

The Flemish Decree of 6 July 2001 on the intermunicipal cooperation stipulates that at the end of the year 2018 at the latest the mixed form of intermunicipal companies with a mission charged company statute should terminate to exist. In the absence of further legislative changes, the private partner of these mixed intermunicipal companies that have the form of an Intercommunale¹¹ will be required to sell its stake to the participating public authorities, which currently have a stake of 79 per cent in the mixed intermunicipal companies. This exit of Electrabel will most likely be accelerated as the Flemish government is currently analysing whether Electrabel could sell its stake in these mixed intermunicipal companies by 2014. The value of Electrabel's 21 per cent stake will constitute an element in the negotiations between all parties involved on the acquisition by the public shareholders of the private partner's participation.

¹¹ i.e. IMEA, Iveka, Intergem, Imewo and Iverlek.

Other risks of a financial nature

Additional financial risks may stem from incorrect or insufficient accounting data or inadequate accounting procedures. Both Eandis' and the Guarantors' financial statements and accounting data/procedures are subject to an extensive and thorough control by their external auditors which should mitigate these risks.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

1 Representation of Noteholders

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

2 Notes may not be a suitable investment for all Investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential Investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) 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.

A potential Investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact the investment will have on the potential Investor's overall investment portfolio.

3 There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes 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 financial condition of the Issuer. There is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Therefore, Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

The Issuer may, but is not obliged to, list an issue of Notes on a stock exchange or regulated market. If Notes are not listed or traded on any stock exchange or regulated market, pricing information for the relevant Notes may be more difficult to obtain and the liquidity of such Notes may be adversely affected, and therefore the price of the Notes could be affected by their limited liquidity.

If Notes are not listed or traded on a stock exchange or regulated market, they may be traded on trading systems governed by the laws and regulations in force from time to time (e.g. multilateral trading systems or “MTF”) or in other trading systems (e.g. bilateral systems, or equivalent trading systems). In the event that trading in such Notes takes place outside any such stock exchange, regulated market or trading systems, the manner in which the price of such Notes is determined may be less transparent and the liquidity of such Notes may be adversely affected. Investors should note that the Issuer does not grant any warranty to Noteholders as to the methodologies used to determine the price of Notes which are traded outside a trading system, however, where the Issuer or any of its affiliates determines the price of such Notes, it will take into account the market parameters applicable at such time in accordance with applicable provisions of law. Even if Notes are listed and/or admitted to trading, this will not necessarily result in greater liquidity.

4 Impact of fees, commissions and/or inducements on the issue price and/or offer price

Investors should note that the issue price and/or offer price of any issue of Notes may include subscription fees, placement fees, direction fees, structuring fees and/or other additional costs. Any such fees may not be taken into account for the purposes of determining the price of such Notes on the secondary market and could result in a difference between the original issue price and/or offer price, the theoretical value of such Notes, and/or the actual bid/offer price quoted by any intermediary in the secondary market.

Any such difference may have an adverse effect on the value of Notes, particularly immediately following the offer and the issue date relating to such Notes, where any such fees and/or costs may be deducted from the price at which such Notes can be sold by the initial investor in the secondary market.

5 The Notes may be redeemed prior to maturity

In the event (i) of the occurrence of an event of default or (ii) that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Belgium, or any political subdivision thereof or any authority therein or thereof having power to tax, the Notes may be redeemed in accordance with the Conditions.

If Call Option is specified in the applicable Final Terms as being applicable, the Issuer may also redeem all or parts of the Notes of the relevant Series, prior to Maturity, in whole or in part, in accordance with Condition 5(d).

An optional redemption feature benefiting the Issuer is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

6 Risks related to the structure of a particular issue of Notes

A number of Notes that may be issued under the Programme have features which contain particular risks for potential Investors. Set out below is a description of the most common of such features.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the

secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Furthermore, the market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

7 Market Value of the Notes

The value of the Notes may be affected by the creditworthiness of the Issuer and the Guarantors and a number of additional factors, such as market interest and yield rates and the time remaining to the maturity date and more generally all economic, financial and political events in any country, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

8 Interest rate risks

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

9 Global Credit Market Conditions

Potential Investors should be aware of the prevailing and widely reported adverse global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and, if and when they do, there can be no assurance that conditions of general market illiquidity for the Notes and instruments similar to the Notes will not return in the future.

10 No Limitation on Issuing Further Debt

The Issuer is not prohibited from issuing further debt or securities ranking *pari passu* with the Notes. The Notes do not limit the ability of the Issuer to incur indebtedness or issue securities.

11 EU Savings Directive

Under the European Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**", see also "**Taxation**"), 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 paying agent located within its jurisdiction to, or for the benefit of, 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).

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding system as from 1 January 2015 and will provide details of information as from this date.

Investors should note that the European Commission has announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU individual, and (ii) a wider range of income similar to interest.

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, neither the Issuer nor the Agent nor any other person would be obliged to pay additional amounts to the Noteholders or to otherwise compensate Noteholders for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax.

12 FATCA Withholding

Whilst the Notes are held within the X/N Clearing System, in all but the most remote circumstances, it is not expected that FATCA (as defined in "Taxation – FATCA Withholding") will affect the amount of any payment received by the clearing system (see "Taxation – FATCA Withholding"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the clearing system and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing system and custodians or intermediaries. Please see "Taxation – FATCA Withholding" for more information on this legislation.

13 Belgian Withholding Tax

If the Issuer, the NBB, the Domiciliary 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 Notes, the Issuer, the NBB, the Domiciliary 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 Noteholder in respect of the Notes, 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 Notes, 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 Note in the circumstances defined in Condition 7 of the Terms and Conditions of the Notes.

14 Taxation

Potential purchasers and sellers of the Notes 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 Notes are transferred or other jurisdictions. Potential Investors are advised not to rely upon the tax summary contained in this Base Prospectus but to ask for their own tax advisers' advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers 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 section "Taxation" of this Base Prospectus.

15 Change of law

The Terms and Conditions of the Notes are based on the laws of the Kingdom of Belgium in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of the Kingdom of Belgium, the official application, interpretation or the administrative practice after the date of this Base Prospectus.

16 Relationship with the Issuer

All notices and payments to be delivered to the Noteholders will be distributed by the Issuer to such Noteholders in accordance with the Conditions. In the event that a Noteholder does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefore.

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

The Notes will be issued in dematerialised form and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Clearing System.

Access to the Clearing System is available through its Clearing System participants whose membership extends to securities such as the Notes. Clearing System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), and Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes 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 Notes.

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

18 The Domiciliary Agent is not required to segregate amounts received by it in respect of Notes cleared through the X/N Clearing System

The Conditions of the Notes and the Agency Agreement provide that the Domiciliary Agent will debit the relevant account of the Issuer and use such funds to make payment to the Noteholders. The Agency Agreement provides that the Domiciliary Agent will, simultaneously with the receipt by it of the relevant amounts, pay to the Noteholders, directly or through the NBB, any amounts due in respect of the relevant Notes. However, the Domiciliary Agent is not required to segregate any such amounts received by it in respect of the Notes, and in the event that the Domiciliary Agent were subject to insolvency proceedings at any time when it held any such amounts, Noteholders would not have any further claim against the Issuer in

respect of such amounts, and would be required to claim such amounts from the Domiciliary Agent in accordance with applicable Belgian insolvency laws.

19 Exchange rate risks and exchange controls

The Issuer may pay principal and interest on the Notes in the Specified Currency and the Guarantors will make any payments under their respective Guarantee (as defined below) in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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.

20 Potential Conflicts of Interest

The Co-Arrangers might have conflicts of interests which could have an adverse effect to the interests of the Noteholders.

Potential Investors should be aware that the Issuer is involved in a general business relation or/and in specific transactions with the Co-Arrangers and that they might have conflicts of interests which could have an adverse effect to the interests of the Noteholders. Potential Investors should also be aware that each of the Co-Arrangers may hold from time to time debt securities, shares or/and other financial instruments of the Issuer.

There are no conflicts of interests between the members of the board of directors, the HR Committee, the Audit Committee and the Strategic Committee of the Issuer, and between the members of the board of directors of the Guarantors, and their respective private interests or other duties (in which respect please refer to sections 3.1 (*Corporate organisation of the Issuer*) and 4.3 (*Board of directors of the Guarantors*) of "*Description of the Issuer and the Guarantors*" on respectively page 97 and 108 below.

21 Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. 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 Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation (as defined on page 2 of this Base Prospectus) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Notes and Markets Authority ("**ESMA**") on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the

CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

22 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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. The Investors should consult their legal advisers to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

23 The payment of all amounts in respect of the Notes is guaranteed on a several but not joint basis, subject to the pro rata limitations

The obligations of each Guarantor under its respective Guarantee (as defined below) are on a several but not joint basis, meaning that each Noteholder will need to make a claim against each of the seven Guarantors, each claim for a portion of the total claim of such Noteholder against the Issuer. The obligations of each Guarantor under its respective Guarantee (as defined below) shall, at all times, be limited to the proportional share such Guarantor holds in the share capital of the Issuer as of the date of the issue of the relevant Notes. As of the date of publication of the Base Prospectus, the share capital of the Issuer is held as set out under the heading *Shareholders of the Issuer* on page 103 of this Base Prospectus.

The holding of the share capital of the Issuer may evolve over time.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer for the year ended 31 December 2012 and for the year ended 31 December 2011, together in each case with the audit report thereon, as well as with the interim condensed consolidated financial statements as at 30 June 2013 of the Issuer (which have been subject to a review by the auditors of the Issuer), in each case drawn up in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

Such documents shall be incorporated in, and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Copies of documents incorporated by reference in this Base Prospectus may be obtained (without charge) from the registered offices of the Issuer and the website of the Issuer (http://www.eandis.be/eandis/ir_rating_and_bonds.htm).

The table below sets out the relevant page references for (i) the audited consolidated financial statements for the financial years ended 31 December 2012 and 31 December 2011 for the Issuer, and (ii) the interim condensed consolidated financial statements as at 30 June 2013 of the Issuer (which have been subject to a review by the auditors of the Issuer).

The Issuer confirms that it has obtained the approval from its auditors to incorporate by reference in this Base Prospectus the statutory auditor's reports for the financial years ended 31 December 2012 and 31 December 2011, and for the review report for the half year period ending 30 June 2013.

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purpose only and do not form part of this Base Prospectus.

Audited consolidated financial statements, audit report and explanatory notes of the Issuer for the financial year ended 31 December 2012 and 31 December 2011

Eandis CVBA consolidated financial statements 2012	
Income statement	Page 2
Balance sheet	Page 3
Cash flow statement	Page 5
Explanatory notes	Pages 6 to 32
Audit of Eandis CVBA consolidated financial statements 2012 (separate document)	
Audit of historical consolidated financial information	Pages 10 and 11
Eandis CVBA consolidated financial statements 2011	
Income statement	Page 1
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Explanatory notes	Pages 5 to 30

Audit of Eandis CVBA consolidated financial statements 2011 (separate document)	
Audit of historical consolidated financial information	Pages 1 to 2

Half-Year condensed consolidated financial statements of the Issuer, auditor's review report and explanatory notes of the Issuer for the six-month period ended 30 June 2013

Half Year Report 2013 of the Issuer	
Income statement	Page 1
Balance sheet	Page 3
Cash flow statement	Page 5
Selected explanatory notes	Pages 6 to 13
Review by the auditors of the condensed consolidated financial statements 30 June 2013 (separate document)	
Review report	Pages 1 to 2

PROSPECTUS SUPPLEMENT

If at any time the Issuer and/or any Guarantor shall be required to prepare a prospectus supplement in accordance with Article 34 of the Prospectus Law, the Issuer and/or the relevant Guarantor will prepare and make available an appropriate supplement to this Base Prospectus which, in respect of any subsequent issuance of Notes to be listed and admitted to trading on Euronext Brussels' regulated market, shall constitute a prospectus supplement in accordance with Article 34 of the Prospectus Law.

Each of the Issuer and the Guarantors has given an undertaking to the Dealers that if at any time during the life of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an Investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

Where a prospectus relates to an offer of Notes to the public, investors who have already agreed to purchase or subscribe for the Notes before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptance, provided that the new factor, mistake, inaccuracy triggering the preparation of the supplement arose before the final closing of the offer and the delivery of the Notes. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the applicable Final Terms, shall be applicable to the Notes. The text of the Terms and Conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed by the applicable Final Terms. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Final Terms. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by Eandis CVBA (the “**Issuer**”) pursuant to an agency agreement (the “**Agency Agreement**”) dated on or about 17 September 2013, between the Issuer, Belfius Bank SA/NV as paying agent, domiciliary agent, calculation agent and listing agent (the “**Listing Agent**”) and a clearing services agreement (the “**Clearing Services Agreement**”) dated 13 October 2011 between the Issuer, the National Bank of Belgium and Belfius Bank SA/NV as domiciliary agent. The paying agent, the domiciliary agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Paying Agent**”, the “**Domiciliary Agent**” and the “**Calculation Agent(s)**”. The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement and of the Clearing Services Agreement applicable to them.

The payment of all amounts in respect of the Notes has been guaranteed by whichever of the Guarantors, in accordance with, and subject to the *pro rata* limitation of, its respective Guarantee. The original of each Guarantee is held by the Domiciliary Agent on behalf of the Noteholders, at its specified offices.

References herein to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs below.

References to the “**Agent**” shall include a reference to the Listing Agent, Paying Agent, Domiciliary Agent and/or the Calculation Agent as the context requires.

The final terms for each Series of the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms incorporated by reference into the Notes and supplement these Conditions. References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) incorporated by reference into the Notes.

Copies of the Agency Agreement and the Guarantees are available for inspection at the specified offices of the Domiciliary Agent.

1 Form, Denomination and Title and Redenomination

The Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Final Terms.

- (a) **Form:** The Notes 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 the articles of association of the Issuer and cannot be physically delivered. The Notes are accepted for clearance through the clearing system operated by the National Bank of Belgium¹² (the “**NBB**”) or any successor thereto (the “**X/N Clearing System**”), and are accordingly subject to the applicable clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities (*Wet betreffende de transacties met bepaalde effecten*), its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 (each

¹² For additional information, please see <http://www.nbb.be/pub/Home?l=fr&t=ho> .

as amended or re-enacted as their application is modified by other provisions from time to time) and the rules of the clearing system (*de reglementering van het effectenvereffeningstelsel*) 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 "**X/N Clearing System Regulations**"). The Notes of the same Series 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. The Noteholders will not be entitled to exchange the Notes into notes in bearer form. No definitive bearer certificates will be delivered.

The Notes will be represented by book entries in the records of the X/N Clearing System itself or participants or sub-participants in such system approved by the Belgian Financial Services and Markets Authority. The X/N Clearing System maintains securities accounts in the name of authorised participants only and accordingly the NBB is the entity in charge of keeping the records. Such participants include Euroclear and Clearstream, Luxembourg. Noteholders, unless they are participants, will not hold Notes directly with the operator of the X/N Clearing System but will hold them in a securities account through a financial institution which is a participant in the X/N Clearing System or which holds them through another financial institution which is such a participant.

- (b) **Denomination:** Denominations will be specified in the applicable Final Terms (i) save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the UK Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).
- (c) **Title:** Title to the Notes is evidenced by book entries in the Noteholder's securities account with the NBB or with a approved participant or sub-participant of the X/N Clearing System as referred to under paragraph (a) to above. The person who is for the time being shown in the records of the X/N Clearing System or of a approved participant or sub-participant of the X/N Clearing System as the holder of a particular nominal amount of Notes shall for all purposes be treated by the Issuer and the Domiciliary Agent as the holder of such nominal amount of Notes, and the expressions "**Noteholders**" and "**holders of Notes**" and related expressions shall be construed accordingly.
- (d) **Redenomination:** The Issuer may (if so specified in the applicable Final Terms) without the consent of the holder of any Note, by giving at least 30 days' notice in accordance with Condition 12 (*Notices*), redenominate into euro all, but not some only, of the Notes of any Series on or after the date on which the European Member State in whose national currency the Notes are denominated has become a participating member state in the European Economic and Monetary Unions (as provided in the Treaty establishing the European Community, as amended from time to time, all as more fully provided in the applicable Final Terms). The date on which such redenomination becomes effective shall be referred to in these Conditions as the "**Redenomination Date**".

2 Status of the Notes and the Guarantees

Status of the Notes

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

Status of the Guarantees

Each Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer in accordance with, and subject to the pro rata limitation of, its respective guarantee dated on or about 17 September 2013 (each a “**Guarantee**” and together the “**Guarantees**”). The obligations of each Guarantor under the Guarantee are direct, unconditional, unsubordinated and unsecured obligations of such Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations of the relevant Guarantor, from time to time outstanding. The obligations of each Guarantor under its respective Guarantee are limited to the proportional share such Guarantor holds in the share capital of the Issuer as of the date of the issue of the relevant Notes as set out in the Final Terms. As of the date of publication of the Base Prospectus, the share capital of the Issuer is held as set out in section 3.3 (*Shareholders of the Issuer*) of “Description of the Issuer and the Guarantors” on page 103 of this Base Prospectus.

The holding of the share capital of the Issuer may evolve over time.

3 Negative Pledge

- (a) **Restriction:** So long as any of the Notes remains outstanding, neither the Issuer nor any of its Subsidiaries (as defined below) nor any Guarantor will create or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a “**Security Interest**”), upon or with respect to the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Debt, or to secure any guarantee or indemnity in respect of any Relevant Debt, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Debt, guarantee or indemnity or such other security as shall be approved by an extraordinary resolution of the Noteholders.
- (b) **Relevant Debt:** for the purposes of this Condition, “**Relevant Debt**” means any present or future indebtedness (whether being principal, premium, interest or other amounts), in the form of or evidenced by notes, bonds, debentures, loan stock or other similar debt instruments, whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, or in any securities market (including, without limitation, any over the counter market); for the avoidance of any doubt, any bank loan or intra-group loan that is granted on the basis of a loan agreement is not Relevant Debt.
- (c) **Subsidiary:** for the purposes of this Condition, “**Subsidiary**” means, at any particular time, a company or other entity which is then directly or indirectly controlled, or more than 50 per cent. of whose issued share capital (or equivalent) is then beneficially owned by the Issuer and/or one or more of its respective Subsidiaries. For this purpose, for a company to be “controlled” by another means that the other (whether directly or indirectly and whether by ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

4 Interest and other Calculations

- (a) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (iii) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (iv) in the case of euro, a day on which the X/N Clearing System and the TARGET system are operating (a “**TARGET Business Day**”) and/or
- (v) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (vi) if “**Actual/ Actual**” or “**Actual/Actual - ISDA**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (vii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365
- (viii) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360
- (ix) if “**30/360**”, “**360/360**” or “**Note Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30

- (i) if “**30E/360**” or “**EuroNote Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30

if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

- (ii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“Determination Date” means the date specified as such in the applicable Final Terms or, if none is so specified, the Interest Payment Date

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the applicable Final Terms

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, (i) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the first day of such Interest Accrual Period if the Specified Currency is Sterling

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date 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

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified in the applicable Final Terms

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms

“**Rate of Interest**” means the rate of interest payable from time to time in respect of these Notes and that is either specified or calculated in accordance with the provisions in the applicable Final Terms

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms

“**Reference Rate**” means the rate specified as such in the applicable Final Terms.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms

“**Specified Currency**” means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

- (b) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date, except as otherwise provided in the applicable Final Terms. The amount of interest payable shall be determined in accordance with Condition 4(i).
- (c) **Interest on Floating Rate Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with condition 4(i). Such Interest Payment Date(s) is/are either shown in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such

date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the applicable Final Terms
- (ii) the Designated Maturity is a period specified in the applicable Final Terms and
- (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (i) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation

Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) if the Relevant Screen Page is not available or if, sub-paragraph (i)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (ii)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent;
- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to

the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); and

- (iv) Any reference to LIBOR or EURIBOR shall be a reference to LIBOR or EURIBOR and any successor thereto.
- (d) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).
- (e) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgement) at the Rate of Interest in the manner provided in this Condition 4 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 7 (*Taxation*)).
- (f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (g) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. If the Notes are listed on Euronext Brussels, the aggregate nominal amount, if any, outstanding on Notes after an early redemption pursuant to Condition 5(b) shall be communicated to Euronext Brussels. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Redemption, Purchase and Options

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which, unless otherwise provided in the applicable Final Terms, is its nominal amount).

(b) **Early Redemption:**

Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c), (d) or (e) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c), (d) or (e) or upon it becoming due and payable as provided in Condition 9 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Final Terms.

Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c), (d) or (e) or upon it becoming due and payable as provided in Condition 9 (*Events of Default*), shall be the Final Redemption Amount together with accrued interest, if applicable unless otherwise specified in the applicable Final Terms.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to 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 Belgium or 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 the Issue Date, 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 Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Domiciliary Agent a certificate signed by the Minister of Finance (or a duly authorised delegate) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers 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.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified in the applicable Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the Notes to be redeemed will be selected individually by lot and in accordance with the X/N Clearing System Regulations, not more than 30 days prior to the date fixed for redemption.

So long as the Notes are listed on Euronext Brussels and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Belgium a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified in the applicable Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the applicable Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)) together with interest accrued to the date fixed for redemption.

To exercise such option the Noteholder must (i) deliver or cause to deliver to the Domiciliary Agent a certificate issued by the relevant recognised account holders certifying that the relevant Note is held to its order or under its control and blocked by it or transfer the relevant Note to the Domiciliary Agent and (ii) deposit with the Domiciliary Agent or with the Paying Agent a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Domiciliary Agent or from the Paying Agent in which the Noteholder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

No option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Purchases:** The Issuer may at any time purchase Notes in the open market or otherwise at any price.
- (g) **Cancellation:** All Notes so redeemed or purchased by or on behalf of the Issuer under this Condition will forthwith be cancelled. Any Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes pursuant to these Conditions shall be discharged.

6 Payments

- (a) **Payments in euro:** All payments in euro of principal or interest owing under the Notes shall be made through the Domiciliary Agent and the X/N Clearing System in accordance with the X/N Clearing System Regulations and the Clearing Services Agreement.
- (b) **Payment in other currencies:** All payments in any currency other than euro of principal or interest owing under the Notes shall be made through the Domiciliary Agent and Euroclear and/or Clearstream, Luxembourg (in accordance with the rules thereof, and in accordance with the X/N Clearing System Regulations and the Clearing Services Agreements).
- (c) **Payment subject to fiscal laws:** All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (d) **Appointment of Agents:** The Domiciliary Agent, the Paying Agent and the Calculation Agent(s) act solely as agent of the Issuer and do not assume any obligations towards or relationship of agency with any of the Noteholders.

The Issuer reserves the right at any time to vary or terminate the appointment of the Domiciliary Agent, the Paying Agent and the Calculation Agent(s), provided however, that the Issuer shall at all times maintain a Domiciliary Agent in the X/N Clearing System, one or more calculation Agent(s) where the Conditions so require, a Paying Agent in Belgium so long as any Notes are listed on Euronext Brussels, and such other agents as may be required by any other stock exchange on which the Notes may be listed and a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such change shall promptly be given to the Noteholders in accordance with Condition 12 (*Notices*).

- (e) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the applicable Final Terms and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7 Taxation

All payments of principal and interest by or on behalf of the Issuer and/or by a clearing system and/or a participant in a clearing system in respect of the Notes 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 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 shall result in receipt by the Noteholders 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 with respect to any Note:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption, or (ii) liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Belgium other than by reason of (a) the mere holding of or (b) the receipt of principal, interest or other amount in respect of the Note, or
- (b) **Payment to non Eligible Investors:** to, or to a third party on behalf of, a holder who on the date of acquisition of such Note, was not an Eligible Investor or who was an Eligible Investor on the date of **acquisition** of such Note but, for reasons within the Noteholder's control, ceased to be an Eligible Investor or at any relevant time on or after the issue of the Notes, for reasons within the Noteholder's control, 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
- (c) **Payment by another financial institution:** held by or on behalf of a holder who would have been able to avoid such withholding or deduction by holding the relevant Note in a securities account with another financial institution in a Member State of the European Union.

As used in this Condition, "**Eligible Investor**" means those entities which are referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax and which hold the Notes in an exempt account in the X/N Clearing System.

As used in these Conditions, "**Relevant Date**" in respect of any Note, means whichever is the later of (i) the date on which payment in respect of it first becomes due or (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 seven days after that on which notice is duly given to the Noteholders that, such payment will be made as provided in these Conditions. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 (*Redemption, Payment and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 (*Interest and other Calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

8 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal (or any other amount (other than interest) payable in respect of the Notes) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9 Events of Default

If any of the following events (“**Events of Default**”) occurs, the holder of any Note may give written notice to the Issuer at the specified office of the Domiciliary Agent or of the Paying Agent, that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:

- (a) **Non-Payment:** the Issuer fails to pay the principal of or premium or interest on any of the Notes when due and such failure continues for a period of 7 days in the case of principal or premium and 14 days in the case of interest 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 Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 20 Business Days after notice of such default shall have been given to the Issuer by any Noteholder or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any Guarantor for or in respect of moneys borrowed or raised being declared due and payable prior to its stated maturity by reason of any event of default (however described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or within five Brussels Business Days of becoming due if a longer grace period is not applicable or (iii) the Issuer or any Guarantor fails to pay when due or, as the case may be, within any applicable grace period or within five Business Days if a longer grace period is not applicable, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that none of the events mentioned above in this paragraph (c) shall give rise to an Event of Default if the aggregate amount of the relevant indebtedness, guarantees and indemnities is less than EUR 25,000,000 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) or
- (d) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer in respect of any of its property or assets for an amount at the **relevant** time of at least EUR 25,000,000 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) 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 declared bankrupt or unable to pay its debts as they fall due, stops, suspends or announces its intention to stop or suspend payment of all or, a material part of (or of a particular type of) its debts or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or any particular debt, 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 any of such debts or a moratorium is declared or comes into effect in respect of all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of the Guarantors or the Issuer or any of the Guarantors ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or solvent reorganisation that does not involve a reduction of the number of EAN-codes in respect of which the Issuer is the manager in excess of 10% of the amount of EAN-codes managed by the Issuer on the issue date of the Base Prospectus; or

- (g) **Electricity and gas distribution:** the Issuer ceases to be the operating company (*werkmaatschappij*) of the electricity and gas DSOs in the designated areas in Flanders or undergoes a reorganisation whereby its tasks in relation to the management of the electricity and gas grids are transferred to a third party, or any of the Guarantors loses its licence of DSO in the designated areas in Flanders or undergoes a reorganisation whereby its tasks in relation to the electricity and gas grids are transferred to a third party, provided that no Event of Default shall arise under this paragraph (g) if the number of EAN-codes in the designated area in respect of which the Issuer ceases to be the operating company represents 10% or less of the aggregate number of EAN-codes in the whole of the designated area covered by the Issuer on the date of the Base Prospectus or
- (h) **Guarantee:** any of the Guarantees ceases to be valid, enforceable or in full force and effect or
- (i) **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 Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Belgium is not taken, fulfilled or done or
- (j) **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 Notes.

10 Meeting of Noteholders and Modifications

- (a) **Meetings of Noteholders:** The articles of association of the Issuer contain provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by extraordinary resolution of a modification of any of these Conditions.

All meetings of Noteholders 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 Noteholders 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 waive any provision of these Conditions, including the proposal to (i) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, (ii) effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes 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 Notes are payable.

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

- (b) **Modification of Agency Agreement:** 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 and/or the Clearing Services Agreement, if to do so could not reasonably be expected to be materially prejudicial to the interests of the Noteholders or which in the Agent's opinion is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of law.

11 Further Issues and Consolidation

- (a) **Further Issues:** The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.
- (b) **Consolidation:** The Issuer may, from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than 30 days’ prior notice to the Noteholders in accordance with Condition 12 (*Notices*), without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in euro, provided such other Notes have been redenominated in euro (if not originally denominated in euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

12 Notices

Notices to Noteholders shall be valid if published in a daily newspaper in an official language of the country of publication and of general circulation in Europe (which is expected to be the *Financial Times*) and in Belgium (which are expected to be the *Tijds* and the *Écho*), except where the Noteholders can reasonably be expected to be located in Belgium, in which case the notices are validly given through a publication in two daily newspapers of general circulation in Belgium. So long as any Notes are listed on Euronext Brussels, notices to Noteholders shall be valid if published either on the website of Euronext Brussels (www.beurs.be/www.bourse.be) or in a daily newspaper with general circulation in Belgium (which are expected to be the *Tijds* and the *Écho*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed and in the case of a convening notice for a meeting of Noteholders, in accordance with the Articles of Association of the Issuer.. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The costs relating to the publication of the notices to Noteholders shall be borne by the Issuer.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same with the Domiciliary Agent or the Paying Agent.

13 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite

any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgement or order.

14 Governing Law, Jurisdiction, Waiver of immunity, Direct Rights

- (a) **Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, Belgian law.
- (b) **Jurisdiction:** The Courts of Brussels (Belgium) are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and, accordingly, any legal action or proceedings arising out of or in connection with the Notes (“**Proceedings**”) may be brought in such courts. The Issuer and the Guarantors irrevocably submit to the jurisdiction of such courts and waive 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 and the Guarantors hereby irrevocably and unconditionally to the fullest extent possible waive with respect to the Notes, 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 possible, 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 Noteholder 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.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes.

In most cases, these general corporate purposes consist of the financing of the Guarantors' investment programmes ('capex'), as approved by the competent regulator(s), in order for the Guarantors to be able to fulfil their tasks attributed to them by law or regulation. More specifically, proceeds will be used to finance that part of the funding needs that exceed the Eandis Economic Group's autofinancing capabilities at any given point in time. General corporate purposes also include repayments and interest payments under currently outstanding loans and other debt financing.

If, in respect of any particular issue under this Programme, there is a specific identified use of proceeds, this will be explicitly stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

1 General information on the Issuer, the Guarantors and the Eandis Economic Group

1.1 General information on the Issuer

Legal name, form and place of registration

The Issuer's name is Eandis CVBA ("**Eandis**" or the "**Issuer**"). The company is registered with the register of legal entities ("*rechtspersonenregister*" / "*registre des personnes morales*") of Ghent under enterprise number ("*ondernemingsnummer*" / "*numéro d'entreprise*") 0477,445,084.

The Issuer is incorporated under Belgian law as a limited liability partnership ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société coopérative à responsabilité limitée*") for an unlimited duration. The company's registered office is at Brusselsesteenweg 199, B-9090 Melle, Belgium. The general telephone number is +32 78 353534. The current by-laws of Eandis have been approved by the General Meeting of Shareholders on 6 December 2011 (notarial deed of the same date drawn up by Mr Xavier Desmet, notary public in Antwerp, Belgium – published in the Annexes to the Belgian State Gazette of 30 January 2012).

The company's website can be accessed via www.eandis.be.

The Issuer has currently four subsidiaries, De Stroomlijn CVBA ("**De Stroomlijn**"), Indexis CVBA ("**Indexis**"), Atrias CVBA ("**Atrias**") and SYNDUCTIS CVBA ("**SYNDUCTIS**") (the "**Subsidiaries**"). De Stroomlijn and Indexis are fully consolidated with Eandis. Atrias is consolidated according to the equity method as of the financial year 2011. SYNDUCTIS was only incorporated on 21 December 2012 and the participation of the Issuer is included as "other investment" in the consolidation. Please refer to section 3.2 (*Eandis' Subsidiaries*) on page 102 for more information hereon.

The Issuer, the Guarantors and the Subsidiaries of the Issuer together form the Eandis Economic Group.

Summary of principal activities of the Issuer and role within the Eandis Economic Group

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, owned by the Guarantors. Eandis has been mandated as operating company (*werkmaatschappij*) of the seven mixed Flemish DSOs that are the Guarantors, and its role is limited to the operation and maintenance of the networks. In their name and for their account, Eandis operates the distribution network and exercises public service obligations for electricity and gas. Eandis carries out its operational activities at cost without charging any commercial margin to the Guarantors. This means that all costs incurred by Eandis (materials and services, personnel costs,...) are passed through to the Guarantors according to fixed allocation rules. Each month Eandis invoices each of the Guarantors for the operational services rendered.

As further outlined in article 2 of the Issuer's consolidated articles of association, Eandis' mission is:

- to operate distribution networks for electricity, natural gas and public lighting,
- to operate the connections to these distribution networks,
- to repair damages, outages or faulty equipment,
- to collect metering data and to manage consumption data,

- to carry out public service obligations,
- to promote the rational use of energy,
- to manage the access register.

Relevant markets

Eandis operates in 234 cities and communities, mostly in the Flemish Region (Belgium). Eandis has no activities outside Belgium.

1.2 A brief history of the Issuer

The Issuer was incorporated under Belgian law as a limited liability company (“*naamloze vennootschap*” / “*société anonyme*”) named “Electrabel Netmanagement Flanders”, abbreviated to “ENF”, by notarial deed of 29 April 2002, drawn up by Mr Thierry Van Halteren, associated notary public in Brussels, and published in the Annexes to the Belgian State Gazette on 11 May 2002 under number 20020511-609. The name “Electrabel Netmanagement Flanders - ENF” was changed into “Electrabel Netten Vlaanderen - ENV” by decision of the Extraordinary General Meeting of Shareholders on 22 September 2003.

On 30 March 2006 the company’s by-laws were changed: the company’s name “Electrabel Netten Vlaanderen” (ENV) was changed into its current name “Eandis”, the company took the form of a limited liability partnership and a merger was realised with GeDIS and Indexis’ Flemish platform (notarial deed of the same date, drawn up by Mr Xavier Desmet, notary public in Antwerp, and published in the Annexes to the Belgian State Gazette on 27 April 2006 under number 06074304). All of the Issuer’s capital shares have since then been held by the Guarantors. Until this merger on 30 March 2006, Electrabel Netten Vlaanderen was Electrabel’s (“**Electrabel**”) subsidiary for the management of distribution networks for gas and electricity in the Flemish Region, operating under the name “Netmanagement”. GeDIS, a limited liability partnership (“*coöperatieve vennootschap met beperkte aansprakelijkheid*” / “*société coopérative à responsabilité limitée*”) with as full name “*Gemeentelijk Samenwerkingsverband voor Distributienetbeheer*”, incorporated to conform to the legal provisions as to independence, was also responsible for the public service obligations and the implementation of the DSOs’ policy on the Rational Use of Energy (RUE). Indexis, a limited liability partnership (“*coöperatieve vennootschap met beperkte aansprakelijkheid*” / “*société coopérative à responsabilité limitée*”), was the metering company that collected energy consumption data and managed this data for billing purposes.

The merger of these three operating companies into a single operating company, Eandis, has contributed to a higher degree of transparency and clarity in the Flemish energy market benefiting consumers and suppliers alike.

1.3 General information on the Guarantors

Legal name and place of registration

Eandis is the operating company for the Guarantors, which are all DSOs distributing both electricity and gas. The Guarantors are:

1. **GASELWEST** (registered office at 12 President Kennedypark, 8500 Kortrijk, Belgium general telephone number: +32 78 353534; with enterprise number 215,266,160 (RLE Kortrijk)): services a territory of 60 cities and municipalities in the provinces East- and West-Flanders that includes the cities of Kortrijk, Ypres and Oudenaarde. Gaselwest’s operating territory also includes five Walloon municipalities.

2. **IMEA** (registered office at 233 Merksemsesteenweg, 2100 Deurne-Antwerp, Belgium; general telephone number: +32 78 353534; with enterprise number 204,647,234 (RLE Antwerp)): services a territory of 6 cities and municipalities in the Antwerp region, including the city of Antwerp.
3. **IVERLEK** (registered office at 58 Aarschotsesteenweg, 3012 Wilsele-Leuven, Belgium; general telephone number: +32 78 353534; with enterprise number 222,343,301 (RLE Leuven)): services a territory of 52 cities and municipalities in the provinces Flemish-Brabant and Antwerp, including the cities of Mechelen and Louvain.
4. **IMEWO** (registered office at 199 Brusselsesteenweg, 9090 Melle, Belgium; general telephone number: +32 78 353534; with enterprise number 215,362,368 (RLE Ghent)): services a territory of 42 cities and municipalities in the Provinces East- and West-Flanders, including the cities of Ghent, Bruges, Lokeren and Ostend.
5. **SIBELGAS** (registered office at 12 Sterrenkundelaan, 1210 Sint-Joost-ten-Node (Brussels), Belgium; general telephone number: +32 78 353534; with enterprise number 229,921,078 (RLE Brussels)): services a territory of 5 cities and municipalities to the north of Brussels.
6. **IVEKA** (registered office at Koningin Elisabethlei 38, 2300 Turnhout, Belgium; general telephone number: +32 78 353534; with enterprise number 222,030,426 (RLE Turnhout)): services a territory of 46 cities and municipalities in the Province Antwerp, including the city of Turnhout.
7. **INTERGEM** (registered office at 11 Franz Courtenstraat, 9200 Dendermonde, Belgium; general telephone number: +32 78 353534; with enterprise number 220,764,971 (RLE Dendermonde)): services a territory of 23 cities and municipalities in the Provinces Flemish-Brabant and East-Flanders, including the cities of Aalst, Sint-Niklaas and Dendermonde.

Legal form

The Guarantors are regulated public law entities. Please refer to section 4.2 (*Regulatory regime applicable to the Guarantors (including administrative review of the decisions made by certain Guarantors)*) on page 105 for information on the legal regime applicable to the Guarantors and its consequences.

Please refer to the next page for information on the markets in which the Guarantors operate.

Markets

The Guarantors have no activities outside Belgium. The map below indicates the operating territories of each of the seven Guarantors for their activities relating to the distribution of electricity.

Distributienetbeheerders elektriciteit



The map below indicates the operating territories of each of the seven Guarantors for their activities relating to the distribution of for gas.

Distributienetbeheerders aardgas



Summary of principal activities of the Guarantors and role within the Eandis Economic Group

The object and purpose of the Guarantors is comprised in article 3 of their respective articles of association and comprises of the management and operation of gas and electricity distribution systems. This comprises responsibility for the development of these systems, as well as for their viability and security. The Guarantors also organise public lighting and are responsible for certain social and other public service obligations.

The Guarantors own the low voltage and mid voltage distribution networks for electricity as well as low pressure and mid pressure distribution networks for gas operated by Eandis, and are also the holders of the DSO licence granted by the VREG. Finally, the Guarantors also invoice customers (*i.e.* the suppliers) themselves.

The table below presents some aggregated basic figures on the network infrastructure for electricity and gas distribution under the management of Eandis. Although managed by Eandis, the grid assets remain fully owned by the seven Guarantors.

All figures as per 31 December 2012	Electricity	Gas
Total net length of which	93,678 km low voltage 60,500 km mid voltage 33,178 km	41,262 km low pressure 33,597 km mid pressure 7,665 km
Number of connections	2,569,200	1,635,285
Number of public lighting points	826,238	not applicable
Number of social clients	62,617	48,081
Budget meters installed	77,751	34,243

The Guarantors have appointed Eandis as their operating company in application of the Flemish Energy Decree of 8 May 2009, and the Resolution of the Flemish Government of 19 November 2010. All seven Guarantors were allowed to use the services of Eandis as their operating company by decision of the VREG on 29 October 2009.

For a further description of the Guarantors principal activities and their position in the energy market, we refer to sections 2.1 (*Organisation of the Belgian Electricity Market*) on page 81 and 2.2 (*Organisation of the Belgian Gas Market*) on page 86 below. In section 2.3 (*Regulated tariffs for the Distribution System operation of Gas and Electricity*) on page 89, the regulations applicable to the tariffs used by the Guarantors are set out.

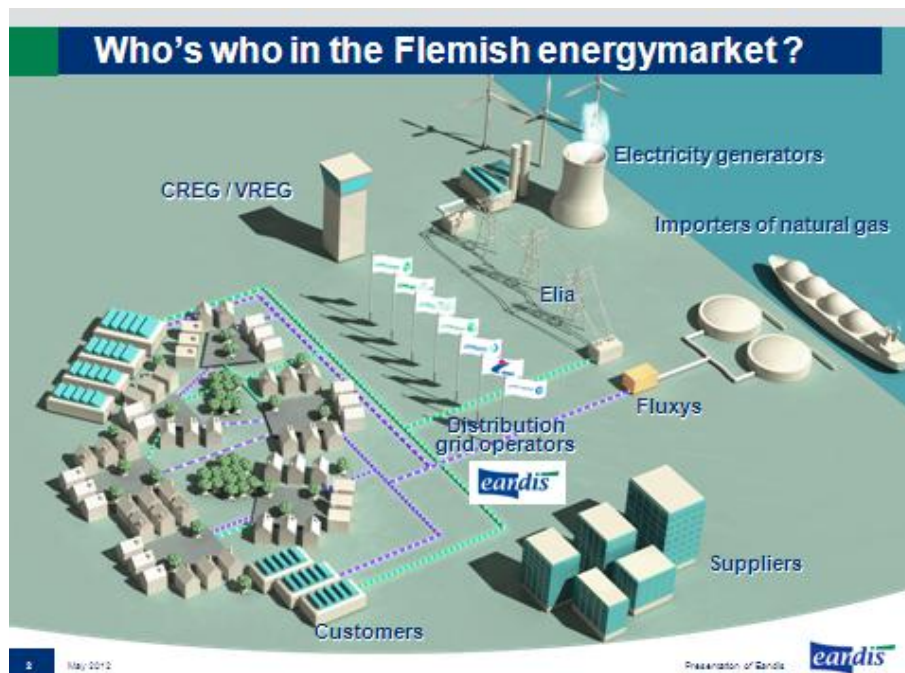
1.4 A brief history of the Guarantors

Before the liberalisation of the energy market in Flanders, the so-called intermunicipal companies were integrated entities: owner of the grids, they transported electricity and gas over these grids, operated, maintained and developed them. They also collected the energy consumption data and supplied electricity and gas to end consumers (being households, small and medium sized companies and public authorities).

Due to the liberalisation process, the energy landscape changed drastically: commercial activities and infrastructure operation could no longer be conducted by a single entity. As a result, the intermunicipal

companies had to dispose of their electricity and gas supply activities and became DSOs active in the business of operating distribution grids only.

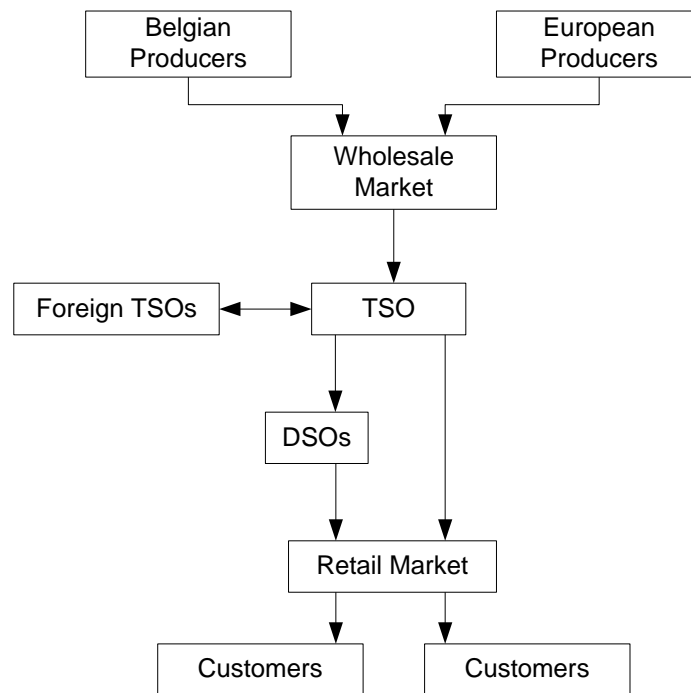
2 Description of the Belgian Electricity and Gas Market



2.1 Organisation of the Belgian Electricity Market

The major players on the liberalised Flemish electricity market are the electricity producers, the transmission system operator (“TSO”) and the distribution system operators (“DSOs”), the wholesale and retail suppliers, the end consumers and the regulators. Their functions are briefly outlined below.

The picture below sketches the Belgian electricity market.



Electricity Production

Currently, the major players on the electricity generating market are Electrabel, EDF-Luminus and E.ON. The remaining generation capacity consists of the co-generation plants at the sites of large industrial consumers (such as T-Power) and units for renewable energy (such as small-scale hydropower units, photovoltaic electricity generation, offshore and onshore wind turbines and biomass installations).

Building and operating new electricity generating facilities is open for each authorised electricity producer. Units with a generating capacity exceeding 25 MW need the approval of the federal Minister for Energy, who will decide after having received a prior advice by the federal energy regulator, the CREG (*“Commissie voor de Regulering van de Elektriciteit en het Gas”* / *“Commission de Régulation de l'Electricité et du Gaz”*). Smaller generating facilities (equal to or below 25 MW) are exempt from the prior individual license, but some of them have to be notified with the CREG, the competent federal minister or his representative.

Over the years the electricity producers have adapted their portfolio of primary energy sources for electricity generation. In the sixties coal and petroleum were the major primary combustibles. At the end of the seventies the use of petroleum declined after having reached a peak in 1973. Later the contribution of nuclear production started to form a substantial part of the production mix. The use of nuclear energy started in 1975. In the early eighties nuclear energy became more important (in 1986 already 67.2 per cent of electricity was generated through nuclear energy) together with gas and cogeneration units; this trend continued during the nineties (the average contribution of nuclear energy in the nineties amounted to 58 per cent - gas and combined production units accounted for 17 per cent). Currently, the share of renewable energy sources is increasing, mainly due to the use of wind turbines, solar installations and biomass. Figures for 2010, published by DG Energy of the European Commission show that 75.2 per cent of total electricity production in Belgium originates from nuclear installations.

On 4 July 2012 the Belgian federal government agreed on a general framework for the energy provision and in particular a revised phase-out plan for its nuclear installations. This agreement

includes the closure of the nuclear plants Doel 1 and Doel 2 in 2015 as scheduled in the calendar of the 2003 phase-out law. The nuclear plant Tihange 1 will remain in operation for ten additional years until 2025. 1000 nuclear MWh will be put at the market's disposal to stimulate competition between suppliers and to keep prices at the lowest possible level for the end consumers. The government will also create stimulus measures for investments in additional generation capacity, both in classical non-nuclear technology as in renewable technologies.

The EU's and the Belgian federal government's general energy policies aim at increasing the share of renewable energy generation and combined heat and power production (CHP). In order to stimulate these types of electricity production the federal government has taken legal initiatives enabling the construction of offshore wind farms. The regional governments have worked out several measures to attain this goal. Measures include the imposition of minimum supply levels for renewable energy and CHP by creating the legal framework for a mechanism of so-called "green power certificates" and "CHP-certificates" and the minimum price guarantee for green power certificates provided for by the Royal Decree of 16 July 2002. The functioning of the green power certificates systems in the Flemish region is further outlined sub heading *Green Power Certificates* of section 8 (*Trends in the market in which the Issuer and the Guarantors are active*) on page 144 below; the working of the CHP-certificates system is almost identical. The Walloon and Brussels regions have taken very similar measures. By means of the certificates systems, the installed generation capacity for renewable energy and CHP in Flanders should increase to 20.5 per cent of the total electricity consumption by 2020.

Technological evolutions result in an increasing number of smaller installations to be put in place, continually increasing the share of decentralised and combined heat and power production. The table below summarises the sources of electricity generation in Belgium:

Key Figures for Electricity Production in Belgium

(source: Febeg)

Electricity production 2012:		75,39 TWh
of which	nuclear power plants:	38,5 TWh
	combustion plants:	30,9 TWh
	hydropower plants:	1,7 TWh
	renewable energy:	4.3 TWh
Installed production capacity 2012:		20,021 MWe
of which	nuclear power plants:	5,923 MWe
	combustion plants:	7,427 MWe
	hydropower plants:	1,419 MWe
	wind turbines:	1,406 MWe
	solar energy:	2,690 MWe
	other renewable:	1,144 MWe
Electricity demand 2012:	79,9 TWh	
Electricity import 2012:	16,9 TWh	
Electricity export 2012:	6,9 TWh	

Net electricity import 2012: 9,9 TWh

Wholesale Market for Electricity

Suppliers on the wholesale market (e.g. traders and intermediaries) buy, in Belgium and abroad, energy from electricity producers or other wholesale suppliers and/or sell energy to either other wholesale suppliers or retail suppliers. Since retail supply is an activity for which a license is required (as opposed to trading), traders most often do not directly sell electricity to end customers.

Transmission System Operation

Transmission system operation refers to the regulated activity linked to the transport of electricity over the medium to high and very high voltage grids with a voltage of 70 kV and higher. The major users of these grids are the electricity producers, electricity traders, DSOs and industrial consumers with a direct connection to the high voltage electricity transmission network.

A transmission system operator or TSO operates and manages its grids independently from electricity producers and suppliers. TSOs have to organize an objective, non-discriminatory and transparent access to their electricity network. Transmission system operation is a regulated activity that is usually granted a legal monopoly. To fulfil this objective efficiently, TSOs are in charge of the operation, maintenance and development of their grid. They also provide the required ancillary services.

The very high voltage electricity networks are also used for the import and export of electricity between interconnected national grids and for purposes of mutual assistance between TSOs according to international standards set by ENTSO-E¹³ operation rules. Belgium's very high voltage electricity network is connected to France, Luxembourg and the Netherlands. Currently, Belgium and the Netherlands are a net importer of electricity originating from France.

By Ministerial Resolution, dated 13 September 2002, Elia was licensed as Belgium's sole transmission system operator for a renewable period of twenty years.

Distribution System Operation

Distribution refers to the transmission of electricity over medium and low voltage electricity networks, generally below 36 kV, to retail consumers (small and medium-sized enterprises and household customers) using electricity for their own use. An operator of such a network is called a distribution system operator or DSO. The Guarantors are DSOs. Following a decision by the Flemish energy regulator VREG of 5 July 2013, the licence of the DSOs Gaselwest, Imewo, Intergem, Iveka, Iverlek and Sibelgas has been expanded to the operation of electricity distribution grids up to 36 kV (formerly 30 kV). Due to historic reasons, the DSO IMEA already possessed a licence up to 70 kV.

A DSO operates, maintains and develops its network and is required by law to organize access to its network in an objective, non-discriminatory and transparent manner. Distribution system operation is a regulated activity that is usually granted a legal monopoly within the boundaries of the operating territory attributed to each DSO.

The main customers of the DSOs are wholesale suppliers and retail suppliers¹⁴.

¹³ ENTSO-E stands for 'European Network of Transmission System Operators for Electricity', an association of 41 TSOs from 34 European countries. It is the successor of a number of former associations, including UCTE (Union for the Coordination of the Transmission of Electricity) that operated in continental Europe.

¹⁴ A third type of customers constitutes of retail users that because of payment problems have been dropped by commercial suppliers of electricity. Flemish regulation provides that the DSOs have in such instance an obligation to supply these customers with electricity.

As a result of the liberalisation process, most licensed DSOs in Belgium are intermunicipal companies. An intermunicipal company essentially is a partnership of public authorities that is charged with certain activities of municipal interest common to its members. Intermunicipal companies can either be “public” or “pure”, in which case they are wholly owned by public authorities (such as municipalities or other intermunicipal companies), or “public-private” or “mixed”, in which case they are jointly held by public authorities and by private sector entities such as Electrabel.

At the moment there are 24 DSOs in Belgium engaged in the distribution of electricity. In the Flemish region, a total number of 11 electricity DSOs are active, 7 of which are of the mixed type¹⁵. These 7 mixed Flemish DSOs are the Guarantors and cover around 80 per cent of the Flemish region, both in terms of the number of end customers as well as in geographical area.

With a view to ensuring the DSOs’ independence, the participation of producers and suppliers in the DSOs’ share capital is limited by law. In the Flemish Region, producers and suppliers may not hold more than 30 per cent of a DSOs share capital. DSOs in the Walloon and Brussels region are bound by similar rules.

While in the Flemish Region DSOs are appointed by the VREG, the Flemish autonomous gas and electricity regulator (“*Vlaamse Regulator van de Elektriciteits- en Gasmarkt*”), in Brussels and Wallonia they are by the respective governments of the two regions.

For reasons of clarity it is noted that although the intermunicipal companies (either pure or mixed) usually hold the legal monopoly of managing the electricity distribution network with a voltage below 36 kV, Elia¹⁶ operates the electricity network between 36 kV and 70 kV that is normally not considered as a distribution network from a technical point of view but is considered part of the electricity distribution network by Flemish regulation. Elia was granted this legal monopoly for the Flanders region by appointment of the VREG for a 12 year term starting from 5 September 2002. It was also granted the legal monopoly to operate the grid between 30 kV and 70 kV for the Walloon and Brussels regions.

Retail Supply

Retail supply of electricity refers to the sale of electricity to end customers. Since 1 July 2003 several commercial suppliers, who compete against each other, have been active in the Flemish supply market.

A licence is required to engage in retail supply. In the Flemish Region, such licence may only be granted by the VREG to individuals or companies that operate independently from the TSO and the DSOs and that comply with the criteria laid down by law, such as sufficient technical and financial capacity. A supply licence is also required to supply electricity to customers located in the Brussels Region and the Walloon Region. In Brussels and Wallonia, such licence is respectively granted by the Brussels Government and the Walloon minister of Energy.

¹⁵ In Flanders, the following companies have been appointed as distribution system operators for electricity: PBE (appointed on 5 September 2002), Infrax West (appointed on 12 January 2010), IVEG (appointed on 5 September 2002), Inter-Energa (appointed on 17 April 2004), Imewo (appointed on 5 September 2002), Intergem (appointed on 5 September 2002), Gaselwest (appointed on 5 September 2002), Iverlek (appointed on 5 September 2002), IMEA (appointed on 5 September 2002), Sibelgas (appointed on 5 September 2002), Iveka (appointed on 5 September 2002) and Elia (appointed on 8 February 2012). Gemeentelijk Havenbedrijf Antwerpen was taken over by IVEG as per 1 July 2011. AGEM (Merksplas) was taken over by IVEG as from 1 January 2012.

¹⁶ Elia has been appointed as local transmission system operator for that purpose.

Customers

Pursuant to the Second EU Electricity Directive¹⁷, Member States were required to ensure that all non-household customers be eligible to choose their electricity supplier by 1 July 2004, and that all household customers be eligible to do so by 1 July 2007. The chosen supplier must, in turn, be provided with a “right of access” to the relevant electricity network (being very high, high, medium or low voltage) to ensure that electricity is supplied from the producer to the relevant end customer.

At this moment, all Belgian customers are eligible to choose their electricity supplier.

Regulators in Belgium

Due to the Belgian federal structure, there are currently four regulators for the electricity market:

Federal level. The federal energy regulator, the CREG, is competent amongst other things for supervising the electricity market at a voltage higher than 70 kV and for advising on the licencing of energy generation facilities with a capacity higher than 25 MW. Tariff setting for the TSO and the DSOs is also within the scope of the CREG’s authority, irrespective of the voltage of the electricity network.

Regional level. Regional regulators are competent, amongst other things, for supervising the electricity market operations at a voltage equal to or below 70 kV and for renewable sources of energy. They are not authorised to engage in tariff setting. However, the powers relating to the grid distribution tariffs in Belgium will be transferred from the federal level to the respective regions as agreed in the government's General Policy Memorandum regarding the state reform submitted to 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. In case the required legislative and regulatory preparatory work is not completed in due time, it is widely expected that the transfer of competence will be postponed with a year.

The regional regulators in the Flemish, Walloon and Brussels-Capital Regions are respectively the VREG, CWaPE¹⁸ and Brugel¹⁹.

2.2 Organisation of the Belgian Gas Market

Import

Belgium does not possess gas fields on its own territory. Therefore, all natural gas for consumption in Belgium has to be imported from abroad. Finding an optimal sourcing and diversification of gas supplying countries is an essential element in Belgium’s energy policy.

Currently, natural gas for the Belgian market is being imported from several sources (figures for 2009; source: Federal Public Service Economic Affairs), the most important of which are:

1. The Netherlands (35.0 per cent): Netherlands' gas fields are connected to Belgium via pipelines;

¹⁷ Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

¹⁸ Commission Wallonne pour l'Energie.

¹⁹ Reguleringscommissie voor Energie in het Brussels Hoofdstedelijk Gewest / Commission de Régulation pour l'Energie en Région de Bruxelles-Capitale.

2. Norway (35.0 per cent): Norway is an important gas producer thanks to its oil and gas fields in the North Sea; Norwegian gas is delivered in the Zeebrugge hub, operated by Huberator NV, a subsidiary of Fluxys NV (“**Fluxys**”) via pipelines;
3. Qatar (17.1 per cent): natural gas is shipped to Belgium in liquefied form (LNG or Liquefied Natural Gas) by high capacity LNG tanker ships, delivering the gas in the Zeebrugge harbour LNG terminal owned by Fluxys LNG NV, a subsidiary of Fluxys; and
4. Russia (2.8 per cent): Russian gas reaches Belgium through transcontinental pipelines.
5. United Kingdom (4.2 per cent)
6. Other (5.9 per cent)

Wholesale

Suppliers on the wholesale market (e.g. traders and intermediaries) buy natural gas abroad or on the international spot market. They then sell on these volumes to industrial customers, intermediaries, distribution companies and electricity producers. Since gas retail supply, very much like electricity retail supply, is a regulated activity for which a license is required (as opposed to trading), traders most often do not directly sell natural gas to end consumers.

Transport System Operation

Transport system operation refers to the regulated activity related to the high-pressure gas networks and the energy flows on these networks. The main users of these networks are the electricity producers, wholesale gas suppliers, gas traders, the DSOs and the large industrial users of gas.

In Belgium, Fluxys was licensed on 23 February 2010 as the federal transport system operator for the gas transmission system. Often, the gas transport system operator is also named the “**transport company**”.

Transport system operators or TSOs, such as Fluxys in Belgium, operate their networks in complete independence from electricity producers and gas suppliers and are bound to organise an objective, non-discriminatory and transparent access to their gas network. Transport operations are regulated activities that are usually granted a legal monopoly. To fulfil this objective efficiently, TSOs are in charge of the operation, maintenance and development of their network and also provide required ancillary services such as pressure reduction, odourisation, balancing, storage facilities, et cetera.

TSO’s are not only responsible for the off take and redelivery of natural gas within Belgium for Belgian consumption, they also fulfill a crucial role in the transit of gas to and from border states since redelivery points will often be connection points with the gas transportation networks of other national networks. This is especially true for Belgium, given its good connection to natural gas and LNG supplies and given its central position and multiple entry points linking the Belgian gas transportation grid to the grids of France, Germany, Southern Europe and the Netherlands.

It must be noted that the Belgian grid makes use of two different types of natural gas: (1) high calorific natural gas and (2) low calorific natural gas (with this last type of gas being imported from the Netherlands). It is expected that the supplies of low calorific natural gas might be ended within a few years’ time. This will then necessitate large investments, mostly by the DSOs, to finance the transformation of the low calorific gas networks in large parts of the Flemish Region.

Distribution System Operation

Distribution system operation refers to the transport of natural gas on mid pressure and low pressure networks towards the end consumers (industry, small and mid scale companies, households), that use the supplied gas for their own consumption. The operator of such networks is usually called a distribution system operator or DSO.

A DSO operates, maintains and develops its own mid- and low- pressure network. As is the case for TSOs, DSOs are obliged to give objective, non-discriminatory and transparent access to their networks to distribution network users. 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.

Wholesale and Retail Suppliers are a DSOs customers²⁰.

As indicated above, most licensed gas DSOs in Belgium constitute of intermunicipal companies charged with certain activities of municipal interest. Intermunicipal companies can either be “public” or “pure”, in which case they are wholly owned by public authorities (such as municipalities or other intermunicipal companies) or “public-private” or “mixed”, in which case they are jointly held by public authorities and by private sector companies (Electrabel).

Currently, Belgium has 19 DSOs for gas. In Flanders, a total number of 11 gas DSOs are active, 7 of which are of the mixed type²¹. These 7 DSOs of the mixed type are the Guarantors and cover just over 80 per cent of the Flemish region in terms of the number of end customers as well as in geographical area.

With a view to ensuring the independence of the DSOs in the gas sector, the participation of producers and suppliers in the DSOs' share capital is limited by law. In the Flemish Region, producers and suppliers may not hold more than 30 per cent of a DSOs share capital. DSOs in the Walloon and Brussels region are bound by similar rules.

Retail Supply

The retail supply of gas refers to the sale of gas to end consumers. Since 1 July 2003 the retail supply to household consumers in the Flemish Region is being coordinated and managed by several commercial suppliers competing in a liberalised market.

In all three regions (i.e. Flanders, Wallonia and Brussels) a license is required to engage in retail supply of gas. The relevant authority (i.e. the VREG, the Walloon minister of Energy and the Brussels Government) will only grant such license to individuals or companies that comply with certain criteria, e.g. relating to technical and financial capabilities.

²⁰ A third type of customers constitutes of retail users that because of payment problems have been dropped by commercial gas suppliers. Flemish regulation provides that the DSOs have in such instance an obligation to supply these customers with gas.

²¹ In Flanders, the following companies have been appointed as distribution system operators for gas: Infrax West (appointed on 12 January 2010), IVEG (appointed on 14 October 2003), Inter-Energa (appointed on 17 April 2007), Imewo (appointed on 14 October 2003), Intergem (appointed on 14 October 2003), Gaselwest (appointed on 14 October 2003), Iverlek (appointed on 14 October 2003), IMEA (appointed on 17 December 2008), Sibelgas (appointed on 14 October 2003), Iveka (appointed on 14 October 2003) and Intergas Energie (appointed on 20 January 2010).

Customers

Pursuant to the Second EU Gas Directive, and very much in line with the liberalisation process for the electricity market, Member States were required to ensure that all non-household customers be eligible to choose their gas supplier by 1 July 2004, and that all household customers be eligible to do so by 1 July 2007²². The chosen supplier must, in turn, be provided with a “right of access” to the relevant gas transportation network to ensure that gas is supplied to the end customer²³.

Currently, all Belgian customers are eligible to choose their own gas supplier.

Belgian Regulators

Very much in line with the competencies of the respective regulators for electricity distribution, the federal regulator CREG, together with the three regional regulators (VREG, CWaPE and Brugel), are responsible for monitoring and surveying the Belgian gas market, each within the competencies attributed to it by law. It is to be highlighted that also for gas distribution the power to ratify tariffs is held by the federal regulator, the CREG; this is both the case on the TSO level and DSO level and is irrespective of the gas transportation pressure. However, as indicated above, it is expected that the regional regulators will have the power to determine the tariff methodology and to approve the final distribution tariffs from 2015 onwards.

Basic Figures for the Gas Market

According to the most recent statistics²⁴, there were 3,095,000 gas customers in Belgium (2011), based on the number of gas meters. Total net length (pipelines for gas) on Belgian territory amounts to 72,772 km. According to Eurostat figures, in 2011 total inland natural gas sales amounted to 183.3 TWh.

2.3 *Regulated tariffs for the Distribution System Operation of Gas and Electricity*

Introduction

Before the liberalisation of the energy markets in 2003 the intermunicipal companies for electricity and gas realised most of their revenues from the sale of electricity and gas to end consumers. Since then, commercial activities and transport and distribution activities have been unbundled, meaning that one legal entity can no longer exercise the activities of generation and supply on the one hand and transport or distribution on the other hand. While the supply and sale of electricity and gas were entrusted to commercial suppliers, the network operation was entrusted to the intermunicipal companies, which from that moment on became distribution system operators (DSOs).

For their distribution services, DSOs charge a fee to the energy suppliers. The suppliers add this fee to the end consumers' energy bill. The bill that goes out to customers thus includes not only the energy that was used (and a profit margin), but also the fees that were invoiced by the TSOs and DSOs for the transport and distribution of the energy. However, costs for the connection to the distribution grid are directly billed to the end customer.

²² Article 23 of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in gas and repealing Directive 98/30/EC.

²³ See article 18 of the mentioned Directive.

²⁴ Source: Eurogas, Statistical Report 2012.

The fee charged by the DSOs is called a distribution grid fee. The tariffs of this distribution grid fee, are based on a “cost-oriented” system, and are fixed for each individual DSO and for each of electricity and gas distribution separately. In practice this means that there may be differences between the tariffs charged by each DSO, dependent 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.

The regulatory framework consists of multi-annual tariffs, in which regulatory periods span over four years during which tariffs in principle can only change in limited circumstances, aims at sufficiently remunerating the DSOs. This should enable them to carry out the duties imposed on them and to realise a fair remuneration as a return on the capital invested.

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.

Regulated tariffs for the regulatory period 2009-2012

The regulatory framework for the tariffs was set out in the Electricity Law and the Gas Law and its respective implementing royal decrees, *i.e.* the Royal Decrees of 2 September 2008 (the “**Tariff Decrees**”).²⁵²⁶ The structure of the tariff proposals that were submitted by the DSOs to the CREG conformed to the requirements laid down in these Royal Decrees.

First the distribution grid fees make a distinction between one-shot tariffs and periodical tariffs. One-shot tariffs include e.g. tariffs for the connection to the distribution grid, for studies related to a connection or for adaptations to the metering system. Periodical tariffs include tariffs for the use of the distribution grid, for public service obligations, for the use of the transport grid and for a number of ancillary services.

Within the regime in force total revenues of a DSO consist of the following four elements:

1. reimbursement of all operational costs deemed reasonable for the performance of the tasks of the DSO during the regulatory period;
2. depreciations and fair capital remuneration for the optimal functioning, the required future investments and the continuity of the distribution system;
3. cost for the performance of its public service obligations; and

²⁵ For electricity distribution, this is the Royal Decree of 2 September 2008 containing the rules on the determination of and the supervision on the total income and the fair remuneration, the general tariff structure, the balance between costs and income and the basic principles and procedures on the proposal and the approval of the tariffs, of the reporting and cost control by the operators of distribution networks for electricity (*Belgian State Gazette*, 12 September 2008).

For gas distribution, this is the Royal Decree of 2 September 2008 containing the rules on the determination of and the supervision on the total income and the fair remuneration, the general tariff structure, the balance between costs and income and the basic principles and procedures on the proposal and the approval of the tariffs, of the reporting and cost control by the operators of distribution networks for gas (*Belgian State Gazette*, 12 September 2008).

²⁶ Note that although the Tariff Decrees have been repealed by the Law the provisions contained therein remain relevant given the current prolongation of the tariffs for 2013 and 2014 for decisions in respect of any period up to the end of 2014 as indicated in paragraph [____], on page [____].

4. necessary surcharges to be included in the tariffs.

Operational Costs

The DSO can recuperate all reasonable costs it incurs in carrying out its legal assignments through the distribution grid fee. 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: part of the operational costs, the costs for public service obligations, depreciations, the cost incurred for electricity transmission²⁷ (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 regime of multi-annual tariffs includes stimuli for DSOs to operate more productively and efficiently and provides for a “minimal efficiency improvement factor” that puts an upper limit on manageable costs within a regulatory period (as described in the section *Tariff Evolution Within a Regulatory Period and Productivity Stimuli* on page 92 below).

The Tariff Decrees expressly stipulate that the CREG cannot reject costs that directly and fully arise from measures taken by the competent government bodies or that result from an allocation procedure imposed by the competent authorities.

Depreciations and Fair Capital Remuneration

The value of all infrastructure elements that make up a distribution grid is depreciated in accordance with the rules established by the CREG. This depreciation cost is integrally included into the distribution grid fee.

The DSO is also entitled to receive a fair remuneration for the resources that its shareholders have invested in the distribution grid in the form of share capital and other equity elements. To this aim a return margin on the grid’s value has been established. This regulated grid value is calculated as the net economic reconstruction value, *i.e.* the investment amount needed to build a technically equivalent new grid, but based on the age of the current grid. The evolution of the regulated grid value, also called Regulated Asset Base or RAB, is monitored through a technical inventory and the yearly changes thereof (being the investments in new grid infrastructure and infrastructure elements being put out of operation). Rules for the calculation, control and certification of the annual grid value have also been established and are contained in the Royal Decree of 2 September 2008.

The margin for the fair remuneration of the invested capital is expressed as a percentage, that results from the CAPM²⁸ pricing formula. The calculation method is based on the general interest level (the risk-free interest rate measured as the interest on government bonds “OLO” with a ten year term), an additional premium for the market risk of 3.50 per cent, a parameter reflecting the risk profile of the DSO (the so-called beta factor) currently established at 0.65 for electricity and 0.85 for gas, and, finally, the illiquidity factor on equity of 1.2 that is being applied for as long as the DSOs shares are not listed.

²⁷ Unlike the system in place for electricity, the costs charged by Fluxys for transporting gas to the connection points with the distribution grids are charged directly to the suppliers, and not to the DSOs.

²⁸ CAPM stands for “Capital Asset Pricing Model”, a commonly used formula for the determination of required return on investment and intrinsic share values.

The calculation formula is further adapted according to the proportion of a DSO's balance sheet being financed by debt. 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.

The remuneration of liabilities such as bank loans, commercial paper, bonds and other types of external financing is based on the "embedded cost" principle, whereby the actual financing costs of borrowed funds are included in the regulated tariffs irrespective of their size. Based on this principle, the real costs of debt financing can be passed on through the distribution grid fee.

Costs for Public Service Obligations

The authorities have imposed on the DSOs a number of public service obligations, mostly social, technical and ecological measures. The costs incurred by the DSOs in this respect are also fully passed on to customers through the distribution grid fee.

Applicable Surcharges

These surcharges are very diverse and contain inter alia a surcharge to pay for the CREG's operations, remuneration of pension costs of the DSOs' operating company's retired personnel, financial obligations towards the pension funds for the non-active staff, taxes, levies and retributions.

Tariff Evolution Within a Regulatory Period and Productivity Stimuli

The Tariff Decrees assume a reference tariff for the first year of the regulatory period. The income for the second, third and fourth year of the regulatory period is then calculated on the basis of a number of development rules applied to this reference tariff. This mechanism boils down to the distribution grid fees fluctuating in function of the evolution of some indexing parameters (*e.g.* inflation rate evolutions), in function of the investments and their corresponding depreciations, and in function of certain cost elements such as interest rates changes on outstanding loans.

The multi-annual tariffs also include a stimulus for DSOs to operate more productively and efficiently. For the regulatory period 2009-2012 a compulsory productivity improvement coefficient was fixed at 2.50 per cent of the DSOs budgeted manageable costs (basis 2008), as accepted by the CREG. This corresponds to a non-cumulative yearly cost reduction for the Mixed Flemish DSOs of EUR 5.60 million for electricity and EUR 2.76 million for gas.

The new Law determined that the incentive regulation mechanism shall be incorporated in the tariff methodology to be established by the regulator and that it shall need to indicate on which categories of costs the incentive regulation shall apply. The latter provision has been annulled by the Constitutional Court in its decision of 7 August 2013. Hence it will be up to the CREG to determine on what categories of costs the incentive regulation will apply. It cannot be excluded that the CREG will apply it to a greater number of categories of costs. The CREG could for instance apply the incentive mechanism not only to the manageable costs, as is the case to date, but also to the non-manageable costs of the Guarantors.

For future regulatory periods, the guidelines in the new Law (which have been confirmed by the Constitutional Court in its judgement of 7 August 2013 as described in more detail in paragraph (*The Law of 8 January 2012* on page 95)) provide that for the comparative efficiency analyses the regulator should only evaluate the existing DSOs against comparable DSOs. Moreover, the CREG should take into account the objective differences between the DSOs and apply high standard criteria and transparent, homogeneous and trustworthy data and should ensure that a DSO whose efficiency

performance is approximately around market average can recuperate all its costs and receive a normal remuneration of its capital.

Furthermore, when an infrastructure element (registered on the balance sheet as a tangible asset) is sold off or put out of operation, the new tariff methodology allows for the depreciation of the generated surplus value and pass through of this depreciation into the distribution grid fee. The conditions for this advantageous treatment is that the depreciation is properly registered as an investment reserve and can accordingly be used as a source of self-financing by the DSO.

Tariff Procedure: Control

The CREG exercises a double control on the distribution grid fees. A first check is carried out in advance (“*ex ante*”) when the DSOs' tariff proposals are submitted for approval. 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.

At the end of the four-year regulatory period, deviations in the manageable costs fall to the benefit or are at the expense of the DSOs and their shareholders. Deviations in the 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). Such deviations are thus not added to or subtracted from the DSOs' profits.

Material litigations which could challenge previous tariff decisions made by the CREG

Challenge of previous CREG tariff decisions regarding the distribution fees paid during the years 2009 and 2010

In a ruling dated 8 June 2009, the Court of Appeal of Brussels considered that the Royal Decrees of 2 September 2008 breach 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, Belgium's highest administrative court. In order to assure the application of the Royal Decrees dated 2 September 2008, 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 certain provisions of the Royal Decree are not in line 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 this judgement, several consumers filed a civil action against Electrabel before the *Vrederechter / Juge de paix* of Deurne to reclaim the distribution fees paid during the years 2009 and 2010 on the motivation that they would have been charged without valid legal basis. Although the outcome of such proceedings cannot be predicted with any certainty, the DSOs are of the opinion and are arguing in court that the legal discussions surrounding the validity of the Tariff Decrees should not lead to a repayment of the distribution fees. This argument has recently been reinforced by a judgement of the Court of Appeal of Brussels of 26 June 2012 regarding the validity of the CREG's decision to increase the existing distribution tariffs of the Mixed Flemish DSOs (see section *Challenge*

of tariff increase for the pending regulatory period 2009-2012 on the next page). In this case the Court reaffirmed that the illegality of the certain provisions of the federal legislation with respect to the distribution tariffs does not imply that the complete legal framework underpinning the distribution tariffs should be set aside and that tariff decisions could still be based on the existing legislation.

It is unlikely that the Guarantors would ultimately have to reimburse the distribution tariffs. The arguments presented by the DSOs in the relevant litigation are robust and recently reinforced by the already cited judgement of the Court of Appeal of Brussels. In addition, it could be convincingly argued that the prolongation of the tariffs by the CREG for 2013 and 2014 (as further described in the risk factor "*Prolongation of the tariffs for 2013 and 2014*" on page 38 above could be considered as an implicit confirmation of the tariffs of the regulatory period 2009-2012. Finally, in the unlikely event that the Justice of the Peace (*Vrederechter/Juge de Paix*) of Deurne decides in favour of the claimants, it is expected that the CREG will not allow a situation whereby the DSOs would be unable to recover any distribution fees for their effectively rendered services and would therefore most likely ratify the relevant distribution tariffs, including those of the Guarantors.

Challenge of tariff increase for the pending regulatory period 2009-2012

In March 2011 the Guarantors sought CREG's approval to increase the existing distribution tariffs for the regulatory period 2009-2012 in order to recuperate costs which were unforeseeable and not manageable. The CREG approved the tariff increase to avoid an exponential increase in the next regulatory period and to ensure that these extra costs are proportionally recuperated from the consumers. The CREG took this decision on the basis of the Third Electricity Directive by setting aside the Belgian laws and regulations, which it considered to be in conflict with the European Directives (as already described the risk factor "*Risk of challenge of previous CREG tariff decisions*" on page 37 above).

However, a limited number of consumers filed a request for annulment before the Court of Appeal of Brussels to challenge this tariff increase. They claimed that the CREG was not allowed to found its decision on the Third Electricity Directive, because the Directive was not yet transposed into Belgian law and because it lacked any direct effect.

The Court of Appeal of Brussels decided on 26 June 2012 in an interlocutory judgement that although the tariff increases were necessary and in principle justified, the CREG founded its decisions on the wrong legal basis. In its judgement the Court clarified that the said decisions could still be based on the existing legal framework as the illegality of certain provisions of the federal legislation with respect to the distribution tariffs does not imply that the complete legal framework underpinning the distribution tariffs should be set aside. Hence, instead of referring to the provisions in the Third Energy Package which were not yet implemented into Belgian law, the CREG had to base its decision on the relevant provisions in the existing legislation allowing to adjust the tariff decisions during a regulatory period and which were not deemed in conflict with the European Directives.

Although the Court thus decided that the decisions to increase the tariffs were formally invalid, the Court refused to annul these decisions and submitted a preliminary ruling to the Constitutional Court inquiring whether the impossibility for the Court of Appeal of Brussels to uphold certain effects of annulled tariff decisions is not contrary to the constitutional principle of non-discrimination since the Council of State does have this capacity. On 9 July 2013 the Constitutional Court delivered a judgement on this matter and considered that this is not the case since tariff decisions by the CREG are not regulations but individual administrative decisions for which even the Council of State lacks modulating competences. It is now to be seen whether the Court of Appeal will annul the Guarantors' tariff decisions following this preliminary ruling.

While the decision of a judge can never be forecast, it can be argued that since the preliminary decision of the Court of Appeal of 26 June 2012, the decisions by the CREG of 6 December 2012 approving the injection tariffs (as further described in section "*Introduction of injection tariffs*", page 96) constitute an implicit validation of the previous tariffs and that these cannot be annulled retroactively by the claimants in this case. Yet, until the Court of Appeal has delivered a final judgement or the CREG has taken a rectifying decision, there is a risk that consumers file a civil action before a court in order to reclaim the distribution fees paid since the tariff increase on the motivation that they would have been charged without valid legal basis.

Challenge of the injection tariffs

The decision of the CREG to approve an injection tariff chargeable to Prosumers by the Guarantors (as further explained in section "*Introduction of injection tariffs*", page 96) has been challenged before the Court of Appeal of Brussels by several owners of photovoltaic panels and organisations defending their interests. 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.

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. This recent judgement does not exclude the validity of injection tariffs *per se* but it clearly stresses that any injection tariff should be adequately motivated by the regulator, cost-reflective, specific for the services rendered and not-compensatory. Although the outcome of the proceedings before the Court of Appeal of Brussels cannot be predicted, it cannot be excluded that the Court of Appeal takes a similar stance in this litigation and annuls the injection tariffs imposed on Prosumers. A judgement is expected in the autumn of 2013.

Changes to the regulatory framework

Overview

The above described regulatory framework changed by the implementation of the Third Energy Directive into federal law by the Law of 8 January 2012 (the "**Law**") as already highlighted above. The impact of the new Law in the next two following years will however be limited as the CREG has decided to freeze the distribution grid fees for the years 2013 and 2014. In addition, the expected transfer of the tariff-setting competencies to the regions will probably be adopted and take effect in 2015, with the consequence that other regional decrees and regulations might differently regulate the distribution grid fees.

The Law of 8 January 2012

After the implementation of the Third Energy Package and the entry into force of the new Law the powers of the CREG were broadened and its independence reinforced. The Belgian regulator now has the exclusive power to establish (although after "structured, documented and transparent" consultation with the DSOs) the tariff methodologies to be used by the DSOs as a basis for their tariff proposals, and subsequently to approve these tariff proposals or in the negative to set itself provisional tariffs. Nevertheless when establishing the tariff methodology the CREG still remains bound by a list of 21 guidelines incorporated in the Law.

The CREG filed a request for annulment before the Constitutional Court in June 2012 invoking that the new Law infringes the rules laid down in the European Directives, arguing amongst others that the guidelines to be followed by the regulator when establishing the tariff methodology and other provisions breach the independency standard of the regulator required by the Third Energy Package.

Yet, on 7 August 2013 the Constitutional Court rendered a judgement in which it decided that the vast majority of provisions of the Law in relation to the tariff setting rules are valid and compliant with the European directives. Most importantly the Constitutional Court confirmed the validity of the guidelines which the regulator has to take into account when establishing the tariff methodology and when taking other decisions with an impact on the tariffs. In its judgement the Court explicitly confirmed that these guidelines are in line with respectively article 35, paragraph 4 of the Third Electricity Directive and article 39, paragraph 4 of the Third Gas Directive allowing certain "general policy guidelines issued by the government" as these guidelines do not impede the regulator's independence and its capability to exercise its powers impartially and transparently.

In short the Constitutional Court annulled only a limited number of provisions of the Law and such annulment will only have a remote impact on the activities of the Issuer and the Guarantors.

Tariff freeze for 2013 and 2014

According to the current law, the tariff methodology will now be established by the CREG after a structured, documented and transparent consultation with the DSOs.

To anticipate this the DSOs, including the Guarantors, have reached an agreement on 26 April 2012 with the CREG to prolong the tariffs of 2012 for the next two years, *i.e.* for the period following the regulatory period 2009-2012 and preceding the tentative date of the effective transfer of tariff-setting competences to the VREG. The CREG thus decided to freeze the distribution grid fees for the years 2013 and 2014, thus leaving it up to the regional regulator(s) to set the tariff framework for the period thereafter. Moreover, it is possible that the prolongation of the 2012 distribution grid tariffs into 2013/2014 may be extended for one more year until the end of 2015 if the legislative work to be carried out in order to realize the transfer of tariff-setting competences to the regional regulators takes more time than initially expected (as further described in the paragraph below "*Transfer of tariff-setting competences to the regional regulators*", page 39) or if time is needed to accommodate the introduction of a uniform tariff (as further further explained in more detail in section "*Risks related to a likely tariff harmonisation and a possible merger of the DSOs and the Flemish operating companies Eandis and Infrax*", page 40). However, at present no formal decision has been taken by the regulator.

Although 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), the Issuer and the Guarantors expect that 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. Such a ratifying decision should cover both the years 2010 and 2011 which are still outstanding and 2012 and the global regulatory period 2009-2012. The allocation and the recovery of these cumulative balances in the next regulatory period should be decided by the VREG, the regional regulator who will become responsible for distribution tariff matters in the future.

Introduction of injection tariffs

Prosumers only have to contribute to the costs of the network at the rate of the balance measured on their meter between the quantities consumed and injected on the network ("**Compensation**"). As a consequence of the Compensation the distribution tariffs of the DSOs in the past did not reflect the actual electricity volumes which were transiting over the grid (*i.e.* both offtake and injection).

To tackle this grid fee deficit the Guarantors submitted a dual proposal to the CREG on 31 October 2012. In particular the Flemish mixed DSOs proposed to either (i) install smart meters capable of separately measuring a Prosumer's electricity offtake on the one hand and his injection of electricity on

the other hand, or (ii) charging the Prosumers an injection tariff consisting of a fixed grid fee corresponding to their average installed production capacity. On 6 December 2012 the CREG approved this dual proposal and since then the Guarantors tariffs proceeds contain an additional injection tariff.

However, it should be stressed that several owners of photovoltaic panels and organisations defending the interests of Prosumers are challenging the decisions in connection with these injection tariffs before the Court of Appeal of Brussels (as described on page 95 above). In addition, the five major electricity suppliers in the Flemish market (*i.e.* Electrabel, Eni, Eneco, EDF-Luminus and Essent) are refusing to pass through this tariff element into the bills for the end consumers. The Flemish Minister for Energy has already publicly condemned the suppliers' attitude. The VREG has been asked to mediate in this conflict.

Potential transfer of tariff-setting competencies to the regions

Within the framework of a new state reform in Belgium elaborated by the federal government, there is political agreement on the transfer of competency on distribution grid tariffs from the federal level to the regional level. One may reasonably expect that the Flemish energy regulator VREG (and no longer the federal energy regulator CREG) will become competent for the distribution grid tarification from 2015 onwards.

However, after this transfer of competence to the regional level, the existing federal legislation remains applicable until such time as the relevant regional legislator has repealed or replaced the federal legislation.

Likely tariff harmonisation and a possible merger of the DSOs and the Flemish operating companies Eandis and Infrax

The Issuer and Infrax (which is the operating company of the other Flemish DSOs (*i.e.* other than the Guarantors) have discussed with the Flemish government in May 2013 the possibility to gradually introduce a uniform distribution tariff in the Flemish Region from 1 January 2016 onwards. To facilitate the introduction of such a uniform tariff the Guarantors and the Infrax's DSOs may merge in two respective DSOs. Although the political debate is still ongoing, it is subsequently envisaged to merge those two respective DSOs into one large DSO responsible for electricity and gas distribution in the entire Flemish Region.

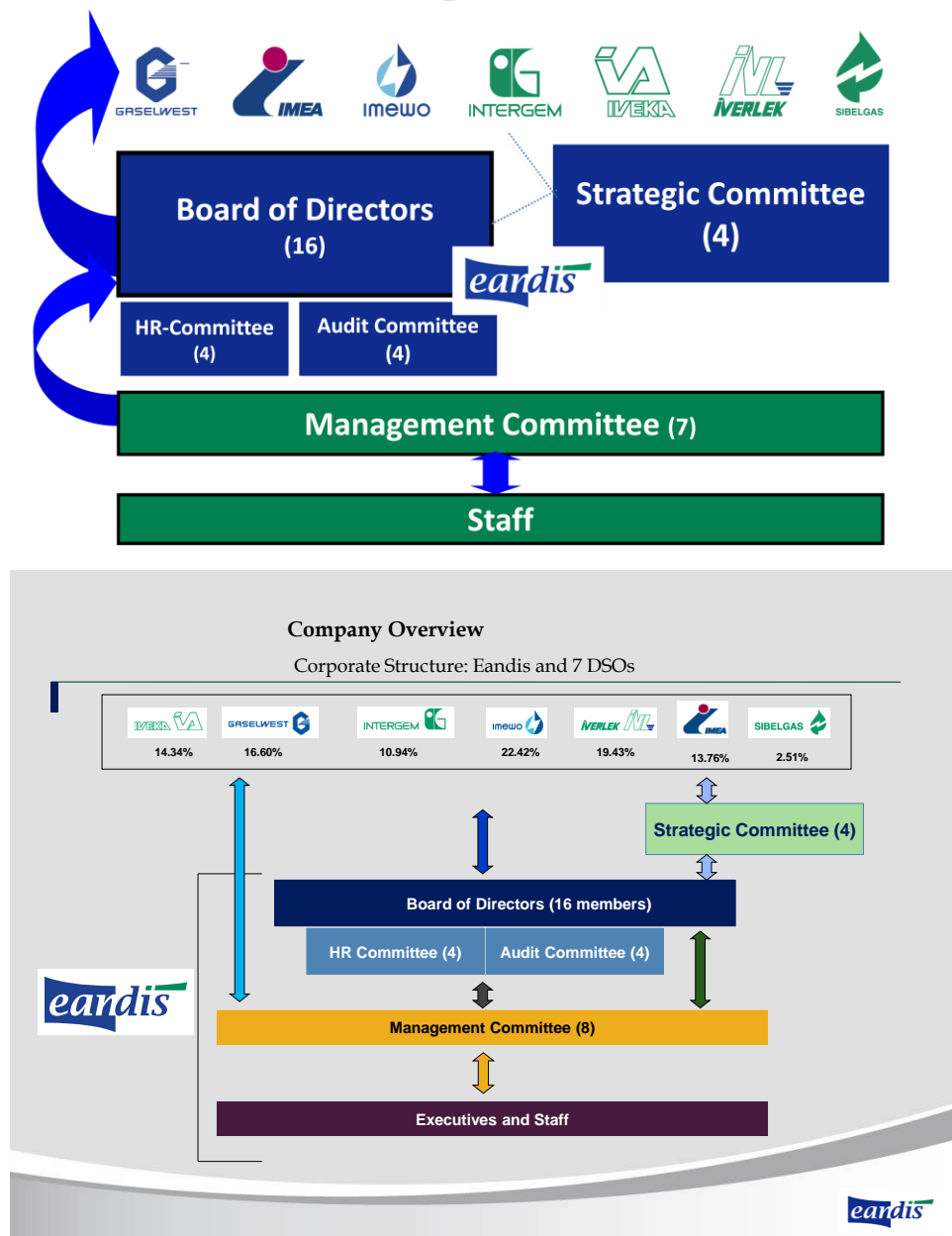
It has to be seen how a uniform distribution tariff will be implemented by the VREG and the Flemish authorities and whether such a uniform tariff will adequately reflect the cost base of the Guarantor(s) and the Issuer. To accommodate the introduction of a uniform tariff it is expected that the current tariff freeze will be extended until the end of 2015.

3 The Issuer

3.1 Corporate organisation of the Issuer

At the end of June 2013, Eandis employed 4,313 people, corresponding to 4,177.25 full-time equivalents (FTE). Its corporate structure, its corporate bodies and key personnel are briefly described in the sections below.

Eandis – corporate structure



Board of Directors

The Board of Directors of Eandis, which according to the company's by-laws consists of a maximum of twenty members, is responsible for Eandis' general policy decisions. Currently the shareholders of the Issuer have appointed sixteen²⁹ Board members.

²⁹ These Board seats are distributed among the DSOs as follows: IMEA: two seats; GASELWEST: three seats; IVERLEK: three seats; IVEKA: two seats; IMEWO: three seats; SIBELGAS: one seat; and INTERGEM: two seats.

Name and function	Major other functions the date of the Base Prospectus.
Piet BUYSE, <i>Chairman</i>	Mayor of the City of Dendermonde; Chairman of the Board of Directors of Intergem
Koen KENNIS, <i>1st Vice-Chairman</i>	Alderman of the City of Antwerp; Chairman of the Board of Directors of IMEA
Geert VERSNICK, <i>2nd Vice-Chairman</i>	City councillor in Ghent; Provincial alderman of East-Flanders
Louis TOBBACK, <i>3rd Vice-Chairman</i>	Mayor of the City of Louvain; Minister of State; member of the Board of Directors of Iverlek
Jean-Pierre DE GROEF ³⁰ , <i>Director</i>	Mayor of Machelen; Chairman of the Board of Directors of Sibelgas
Christoph D’HAESE, <i>Director</i>	Mayor of the City of Aalst; member of the Board of Directors of Intergem
Christof DEJAEGHER, <i>Director</i>	Mayor of Poperinge; member of the Board of Directors of Gaselwest
Paul DIELS, <i>Director</i>	Mayor of Lille; Chairman of the Board of Directors of Iveka
Greet GEYPEN, <i>Director</i>	Alderman in the City of Mechelen Chairman of the Board of Directors of Iverlek
Luc JANSSENS, <i>Director</i>	Alderman in Kapellen; member of the Board of Directors of IMEA
Piet LOMBAERTS, <i>Director</i>	Chairman of the Municipal Council of the City of Kortrijk; member of the Board of Directors of Gaselwest
Luc MARTENS, <i>Director</i>	Mayor of the City of Roeselare; Chairman of the Association of Flemish Cities and Municipalities; Chairman of the Board of Directors of Gaselwest
Katrien PARTYKA, <i>Director</i>	Alderman in the City of Tienen; member of the Board of Directors of Iverlek
Ilse STOCKBROEKX, <i>Director</i>	Member of the Municipal Council in Schoten; Vice-chairman of the Board of Directors of Iveka
Sven TAELEMAN, <i>Director</i>	City councillor in Ghent; Chairman of the Board of Directors of Imewo
Filip THIENPONT, <i>Director</i>	Mayor of Merelbeke; member of the Board of Directors of Imewo

Nick Vandeveldel was appointed Secretary to the Board of Directors. He is Secretary General of Eandis, and in that function responsible for corporate administration, investor relations, legal affairs and the ombud service. The above Directors, as well as the Secretary of the Board of Directors have their business address at Brusselsesteenweg 199, B-9090 Melle, Belgium.

³⁰ Mr De Groef has been provisionally appointed member of the Board of Directors of Eandis on 28 August 2013, awaiting his final appointment by the General Assembly.

Management Committee

The Board of Directors has entrusted the Management Committee with the day-to-day management of the company from an operational and organizational perspective. The day-to-day execution of the decisions taken by the Guarantors and certain daily management tasks of these DSOs have also been entrusted to the Management Committee. The members of the Management Committee take part in the Eandis Board of Directors meetings, solely with an advisory role and without exercising any voting rights.

The current members of the Management Committee are:

Walter Van den Bossche, CEO and Chairman of the Management Committee, was born in 1956. He holds an Economics Degree. He has built his career in the energy sector at Intercom, Electrabel and Electrabel Netten Vlaanderen in several executive and management positions, mostly within financial and administration departments. Prior to his current function at Eandis, Mr Van den Bossche was Head of the Finance & Administration Department at both Electrabel Netten Vlaanderen and Eandis, and Vice-Chairman of Eandis' Management Committee.

Guy Cosyns, born in 1962, is an electrotechnical engineer. He has built a long career in the energy sector (at Intercom, Electrabel, ENV, Electrabel Customer Solutions and Eandis) in commercial, technical and regulatory affairs management positions. In 2005, he became responsible for Eandis' operating area Leie-Schelde. He joined Eandis' Management Committee in 2013 as Director Customer Operations.

Frank Demeyer, born in 1955, is currently responsible for the Department HR & Organization Management at Eandis. He started his career at Ebes, which later became Electrabel. He joined GeDIS from the start of this company as its HR-officer. Prior to his current position, Mr Demeyer was responsible for Corporate Governance & Audit at Eandis.

Wim Den Roover is currently responsible for the Department Network Operations at Eandis. Born in 1961, he obtained an engineering degree. Prior to his current function at Eandis, he was responsible for the different Smart Programmes at Eandis. He has developed his career in several infrastructure areas and was also responsible for a number of internal projects.

Luc Desomer is in charge of the Department Public Affairs & Communication at Eandis. He holds a Law Degree. Mr Desomer was born in 1951 and has developed his career in several communication and PR functions in the energy sector (successively at Intercom, Electrabel and Electrabel Netten Vlaanderen).

Jean Pierre Hollevoet, responsible for Network Management, was born in 1962. He holds a technical engineering degree. Previous to his current position, Mr Hollevoet was a.o. responsible for supply chain and facility management, procurement and asset management at Eandis. He has gained experience in several operational functions in the utility business during a 27 year career.

David Termont CFO, is currently responsible for Financial, Administrative & ICT Management at Eandis. He was born in 1970 and holds an Economics Degree. He started his professional career as advisor to an Alderman of the City of Ghent. Prior to joining Eandis, he was in charge of GeDIS' Customer Care Department. Until 2013, Mr Termont was responsible for the Customer Care Department.

Donald Vanbeveren is bearing responsibility for Eandis' Regulation & Strategy Department. Mr Vanbeveren was born in 1958 and he is a civil engineer. He started his professional career at Vynckier

(now GE). In the energy sector, he took up several functions starting with technical functions, but also financial functions, unbundling of the energy market and asset management.

Audit Committee

Eandis has installed an Audit Committee. Currently, its members are Paul Diels (Chairman), Koen Kennis, Sven Taeldeman and Geert Versnick.

The Audit Committee has an advisory competence and reports its findings to the Board of Directors. The responsibilities of the Audit Committee relate to control over the company's accountancy, its control systems, the proper application of accounting rules, financial reporting and budgeting.

HR Committee

Eandis has also installed an HR Committee. It is chaired by Mr Piet Buyse and its other members currently are Koen Kennis, Sven Taeldeman and Geert Versnick.

The HR Committee has an advisory competence and reports its findings and guidelines to the Board of Directors. The HR Committee's tasks include advising on Eandis' general salaries policy. The Committee is also consulted on nominations of managers within the company.

Eandis' current by-laws stipulate that both the HR Committee and the Audit Committee are composed of a maximum of five members. However, only four members in each of these committees have been appointed at the moment.

Strategic Committee

The Strategic Committee is functioning as a consultation platform between the company and its shareholders. It is composed of four members. According to the company's by-laws, this committee is being chaired by the Chairman of the Board of Directors, currently Mr Piet Buyse. The three vice-chairmen of the Board are the other members of the Strategic Committee.

Conflicts of interest

There are no conflicts of interest between the duties of the persons listed above in this section "*Corporate organisation of the Issuer*" to the Issuer and their private interests or other duties. It should be noted that possible conflicts of interest between the duties of the directors of the Guarantors and their private investments or other duties are permanently being scrutinised by the DSOs own Corporate Governance Committees, by the Flemish authorities and by the regional energy regulator VREG.

Corporate governance

Since the Belgian Corporate Governance Code for Listed Companies (known as the Code Daems, the "Code") is primarily aimed at companies with listed shares and given the extensive legal and regulatory requirements applicable on Eandis, the Issuer has published its own Corporate Governance Charter, which was inspired both by the Code and the Corporate Governance Code for Non-listed Companies (known as the Code-Buysse). This Corporate Governance Charter is updated on a regular basis when required by internal or external elements. Eandis' Corporate Governance Charter can be accessed via the company's website "http://www.eandis.be/eandis/pub_over_eandis.htm".

3.2 Eandis' Subsidiaries

De Stroomlijn

De Stroomlijn CVBA was established as a limited liability partnership ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société coopérative à responsabilité limitée*") on 28 December 2006 by notarial deed of the same date, published in the Annexes to the Belgian State Gazette of 22 January 2007 under number 07012863. Its registered office is at 9090 Melle, Brusselsesteenweg 199. The company, hereafter called "**De Stroomlijn**", is registered with the legal enterprise registry of Ghent under number 0886,337,894.

Eandis possesses 1,650 shares out of the 2,577 shares in De Stroomlijn, or 64.03 per cent of the share capital. The other 927 shares are owned by T.M.V.W., an intermunicipal company active in the distribution and treatment of water (850 shares) and SYNDUCTIS (77 shares).

The by-laws of De Stroomlijn attribute to Eandis the right to nominate four out of seven members of the Board of Directors. David Termont, member of Eandis' Management Committee, is chairman of the Board of Directors of De Stroomlijn. Nick Vandeveld, secretary to the Board of Directors of Eandis, holds the same position in De Stroomlijn's Board of Directors.

De Stroomlijn's financial statements are fully consolidated with Eandis, according to the integral method.

De Stroomlijn operates as the independent customer contact centre for distribution related matters. On 30 June 2013 the company employed 250 people (or 226.60 full-time equivalents). In 2012 De Stroomlijn processed 2.1 million calls, 76 per cent of these calls are related to Eandis' activities.

Indexis

Indexis CVBA was established as a limited liability partnership ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société coopérative à responsabilité limitée*") on 24 June 2002 by notarial deed of the same date, published in the Annexes to the Belgian State Gazette of 16 July 2002 under number 200220716-254. Its registered office is at 1000 Brussels, Ravensteingalerij 4, box 2. The company, hereafter called "**Indexis**", is registered with the legal enterprise registry of Brussels under number 0477,884,257.

Eandis owns 2,251,291 shares of Indexis' 3,216,131 shares, or 70.0 per cent of the share capital. The other Indexis shares are owned by Ores, the operating company of the Walloon mixed DSOs for electricity and gas (964,839 shares) and by Fernand Grifnée, CEO of Ores (one share).

The by-laws of Indexis attribute to Eandis the right to nominate four out of eight members of the Board of Directors. Mr Paul Gistelinck, IT-director at Eandis, is currently the chairman of the Board of Directors. Nick Vandeveld, secretary to the Board of Directors of Eandis, holds the same position in Indexis' Board of Directors.

Indexis' financial statements are fully consolidated with Eandis, according to the integral method.

Indexis is a company active in Flanders and Wallonia that delivers a number of services in the liberalised energy market to Eandis and Ores, its shareholders. Indexis' activities relate on the one hand side to the treating and forwarding of metering data on electricity and gas consumption, and on the other hand side, Indexis is responsible for the administration of these metering data in an independent and confidential manner.

On 30 June 2013 Indexis counted 54 employees (51.67 full time equivalents).

Atrias

Atrias CVBA was established as a limited liability partnership ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société cooperative à responsabilité limitée*") on 9 May 2011 by a notarial deed of the same date, published in the Annexes to the Belgian State Gazette of 25 May 2011. Its registered office is at 1000 Brussels, Ravensteingalerij 4, box 2. The company, hereafter called "**Atrias**", is registered with the legal enterprise register of Brussels under number 0836.258.873.

Eandis owns 93 shares of Atrias' 372 shares, or 25 per cent of the share capital. The other Atrias shares are owned by other entities in the energy distribution sector, being Ores, Infrax, TECTEO, Sibelga, AIEG, AIESH and Régie de Wavre.

Eandis has the statutory right to nominate three Board members and has appointed Paul Gistelinck, David Termont and Walter Van den Bossche. Eandis also has the statutory right to nominate the Chairman of the Board of Directors. Walter Van den Bossche was appointed in this function.

Atrias' financial statements are consolidated with Eandis according to the equity method.

Atrias' mission was defined as assuming the function of a central clearing house for the benefit of the DSOs and as such it is charged with the project for the development of the Message Implementation Guide (MIG) version 6, the development of a Clearing House application and the management and maintenance of this application. MIG is a data transmission protocol being used for the structured data exchange between market parties on the liberalised energy market in Belgium.

On 30 June 2013, Atrias had 10 employees (corresponding to 10.00 full-time equivalents). It has to be noted, however, that Atrias' organisation is in evolution.

SYNDUCTIS

This Eandis subsidiary was established on 21 December 2012 as a limited liability partnership ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société cooperative à responsabilité limitée*") by a notarial deed of the same date, published in the Annexes to the Belgian State Gazette of 25 January 2013. Its registered office is at 9090 Melle, Brusselsesteenweg 199. The company, hereafter called "**SYNDUCTIS**", is registered with the legal enterprise register of Ghent under number 0502.445.845. The founding partners of SYNDUCTIS were Eandis (930 shares – 50.0%), the water company T.M.V.W. (883 shares – 47.5%) and the water company I.W.V.A. (47 shares – 2.5%). Since the establishment date the water company I.W.V.B. has joined SYNDUCTIS. With the telecom operator Belgacom, a collaboration agreement for the duration of one year was concluded, after which Belgacom will take a decision whether to definitively join SYNDUCTIS.

The first financial year will end on 31 December 2013, so no financial data are available yet.

SYNDUCTIS has the vocation to better coordinate infrastructure works with an impact on the public domain. Coordination of planning and execution of infrastructure works by SYNDUCTIS should lead to more synergy between utilities, minimal costs for grid operators and local authorities, and less hindrance for the population. As a first step, a number of projects were selected to test the joint approach of infrastructure works.

3.3 Shareholders of the Issuer

The Guarantors are Eandis' sole shareholders. No shareholder exercises control over the Issuer. The table below reflects their exact shareholding in Eandis:

SHAREHOLDERS AS AT 30 June 2013	NUMBER OF SHARES	% ON TOTAL
GASELWEST 8500 Kortrijk	57,830	16.5973 %
IMEA 2100 Deurne (Antwerp)	47,944	13.7600 %
IMEWO 9090 Melle	78,105	22.4162 %
INTERGEM 9200 Dendermonde	38,139	10.9459 %
IVEKA 2300 Turnhout	49,976	14.3432 %
IVERLEK 3012 Wilsele (Leuven)	67,701	19.4302 %
SIBELGAS 1210 Sint-Joost-ten-Node	8,736	2.5072 %
TOTAL	348,431	100.0000 %

All of Eandis' capital shares are ordinary nominative shares, each representing an equal share in the company's capital totalling EUR 18,550.00. All shares have been fully paid up and are registered in Eandis' company share register. Each shareholder is entitled to one vote per share in Eandis' General Meeting.

Eandis has not issued profit sharing certificates.

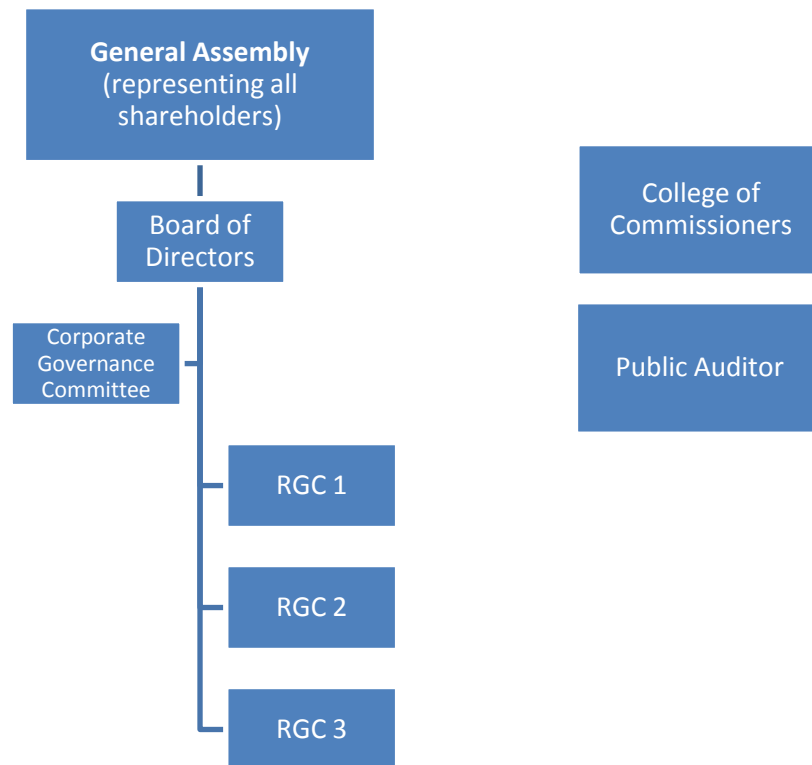
The shareholding of the respective Guarantors in Eandis is based on the number of EAN-codes in the geographical area covered by each of the Guarantors as of the date of Eandis' constitution on 30 March 2006³¹. Each EAN-code represents a single physical connection to the distribution grid. As such, the number of EAN-codes is considered as a proxy to the operational activities within a certain geographical area and each of the seven Guarantors holds a participation in Eandis that is in line with Eandis' activities in the territories of its respective shareholders.

4 Guarantors

4.1 Corporate structure

The typical corporate structure of the DSOs is outlined below. Although the Guarantors are very similar as far as their governance structure is concerned, there are some differences between them in order to meet specific local circumstances or differences in scale.

³¹ The shares held by ex-IGAO were redistributed over IMEA, Intergem and IVEKA as of January 2009.



At this moment, the above structure does not yet apply to Sibelgas.

The exact number of Regional Governing Committees (named RGC in the table above) in each DSO (2 or 3) depends on the size of the DSO. In Gaselwest and Sibelgas, due to their status as intermunicipal companies according to the federal Act on the Intermunicipal Companies of 1986, there is also a College of Commissioners entrusted with the financial control.

4.2 ***Regulatory regime applicable to the Guarantors (including administrative review of the decisions made by certain Guarantors)***

General overview and administrative review

With the exception of Gaselwest and Sibelgas, all Guarantors qualify as a "mission entrusted company" ("opdrachthoudende vereniging" in Dutch), governed by the Flemish Decree of 6 July 2001 on the intermunicipal cooperation (the "**Intermunicipal Cooperation Decree**").

By virtue of the Intermunicipal Cooperation Decree, the mission entrusted companies are subject to administrative supervision by the Flemish tutelle authorities. The intermunicipal companies must provide the Flemish authorities with a copy of all decisions that are taken by them. Decisions that breach the law, the by-laws of the company, or the public interest may be suspended or, by decision of the Flemish government, annulled.

Mission entrusted companies have adopted the form of and follow in general rules outlined in the Belgian Company Code for limited liability partnerships ("coöperatieve vennootschap met beperkte aansprakelijkheid" in Dutch / "société coopérative à responsabilité limitée" in French). However, on certain key points they differ from these rules; for example:

- they are established for a limited duration. In the current state of legislation the maximum duration is 18 years; a prolongation of this limited duration is possible if approved by their participants after having completed a strict approval procedure. The current termination dates

that are stated below diverge very much between the five mission entrusted companies that are shareholders of Eandis. IVEKA is first in line with a current termination date of 31 December 2016. The termination dates of the other mission entrusted companies fall later in time³²;

- the Intermunicipal Cooperation Decree provides that as of 31 December 2018, it will no longer be possible for private partners, such as Electrabel, to participate alongside with local authorities in mission entrusted companies. In the companies of which the statutory duration expires on an earlier date, private partners will be forced out of the venture on this earlier date: this will be the case for IVEKA (31 December 2016) and for Intergem (14 September 2018);
- local authorities that are venturing into an Intercommunale, have by rule of law transferred, for the statutory duration of the company, their relevant municipal competencies to the Intercommunales;
- the Intercommunales are considered to be administrative authorities, whose decisions may be challenged before the Council of State (i.e. Belgium's highest administrative court, or “*Raad van State*” in Dutch and “*Conseil d'Etat*” in French).
- the Intercommunales are submitted to the general principles of the public service; and
- the Intercommunales have to comply with public procurement rules and regulations that are applicable to them.

Gaselwest and Sibelgas are not governed by the Intermunicipal Cooperation Decree but by the federal Law of 22 December 1986 on Intermunicipal Companies (the “**Law of 22 December 1986**”) since their operating territories stretch out beyond the boundaries of the Flemish Region. Consequently, they do not qualify as mission entrusted companies but as intermunicipal companies, governed by the law of 22 December 1986.

Like the mission entrusted companies, Gaselwest and Sibelgas are considered public law entities; since they are governed by the law of 22 December 1986 certain rules regarding their functioning and organization are different. For example:

- under the law of 22 December 1986 intermunicipal companies may not only be incorporated as a limited liability partnership (“*coöperatieve vennootschappen met beperkte aansprakelijkheid*” in Dutch or “*société coopérative à responsabilité limitée*” in French) but also as a limited liability company (“*naamloze vennootschap*” in Dutch or “*société anonyme*” in French) or a non-profit association (“*vereniging zonder winstoogmerk*” in Dutch or “*association sans but lucratif*” in French);
- the law of 22 December 1986 does not prohibit private partners, such as Electrabel, to hold a participation in the share capital in intermunicipal companies (but as described in subparagraphs 2.1 (*Organisation of the Belgian Electricity Market*) and 2.2 (*Organisation of the Belgian Gas Market*), energy regulation limits the interest of private partners in DSOs to 30 per cent); and

³² It is to be noted however that the 29 municipalities that were formerly united in IGAO, which dissolved as of 1 January 2009 in IVEKA, Intergem and IMEA, are still bound by IGAO's former termination date, i.e. 31 December 2014. The last general meeting of IVEKA, Intergem and IMEA scheduled before 31 December 2014 can decide with a 75% majority to prolong the partnership of the involved municipalities for the gas distribution activity.

- the maximum duration for which an intermunicipal company governed by the law of 22 December 1986 may be incorporated amounts to 30 years; this duration can be prolonged upon request of two thirds of the shareholders present or represented in a general meeting provided that at least the majority of the municipality-shareholders vote in favour; the current termination dates of Gaselwest and Sibelgas are stated below.

The law of 22 December 1986 provides that the supervising authority may suspend or annul decisions of intermunicipal companies that breach the law, the by-laws of the company or the public interest and leaves it to the regions to reach a cooperation agreement in this regard. However, since no such agreement has yet been reached, no procedure for exercising this administrative supervision over intermunicipal companies that operate on the territory of more than one region is in place.

Finally, since all Guarantors are public law entities, all must comply with general principles of public service and with public procurement rules.

Current termination dates of the Guarantors

It was indicated above that the Guarantors were established with a limited, but renewable, duration. The table below contains the date of incorporation of each of the Guarantors, as well as their current termination date:

	Date of incorporation	Current termination date
GASELWEST	08/07/1975	21/02/2023
IMEA	18/10/1932	09/11/2019
IMEWO	10/03/1975	09/11/2019
INTERGEM	15/09/1980	14/09/2018
IVEKA	24/11/1981	31/12/2016
IVERLEK	29/03/1982	09/11/2019
SIBELGAS	19/12/1986	25/04/2026

Note, in respect of IMEA, Iveka, and Intergem, also footnote 26 above.

Non-commercial nature of the Guarantors

Both from the Intermunicipal Cooperation Decree and the law of 22 December 1986 it flows that none of the Guarantors can be considered as a merchant (*“koopman”* / *“commerçant”*). As a consequence, the Guarantors are not subject to bankruptcy laws and bondholders will not enjoy protection of the bankruptcy laws.

Immunity of execution

The Guarantors are public law entities. Under Belgian law, such entities have the duty to perform at all times their tasks of public service (concept of the continuity of the public service). Pursuant to Article 1412bis of the Belgian Judicial Code, assets owned by a public law entity (such as the Guarantors) benefit from an immunity of execution as a result of which they cannot be seized. This immunity of execution does not apply to assets that are manifestly not useful for the performance or the continuity of the public service. This means that e.g. the distribution networks (cables and pipelines) owned by a

Guarantor cannot be seized by Noteholders in case of default. Although this limits the enforceability of the obligations of the Guarantors, it also means that each of the Guarantors will be in a position to continue to perform its duties of public service and hence to generate revenues. This immunity of execution is not to be considered as an immunity of jurisdiction.

Licensing Requirements for DSOs

The VREG appoints the DSOs for electricity and/or gas in the Flemish Region as stipulated in the Flemish Energy Decree of 8 May 2009. The conditions and procedure for such appointment are laid down in the Energy Order of the Flemish Government of 19 November 2010.

The key characteristics to be demonstrated by a candidate-operator relate to:

- legal ownership or sufficient exploitation rights over a distribution network;
- financial and technical capabilities;
- professional reliability;
- managerial and legal independence of the candidate-operator (vis-à-vis companies active in electricity generation or import of natural gas, companies holding a supply license or intermediaries (the executive order sets out detailed requirements to ensure the independence of DSOs)).

The Guarantors were licensed, in respect of their activities relating to the distribution of electricity, by decision of the VREG on 5 September 2002 for a twelve year period, and, in respect of their activities relating to the distribution of gas, by decision of the VREG on 14 October 2003 for a twelve year period.

After the initial appointment of the Guarantors, a number of corrective measures were taken for IMEA, Iveka and Intergem (gas activity), due to the split-up of the former gas DSO IGAO into these three entities. The initial appointment of Gaselwest has also been amended in the past, following a number of territory exchanges between Gaselwest and a pure intermunicipal company in relation to the municipalities Hooglede and Horebeke.

On the basis of the evidence provided by the operators, the VREG extensively controls on a yearly basis compliance with the appointment requirements and conditions. CWaPE, the energy regulator of the Walloon Region, exercises a similar control for the five Walloon municipalities that are associated with the Gaselwest.

4.3 Board of directors of the Guarantors

The Board of Directors is responsible for the Guarantor's general policy decisions. Below an overview of the directors of each Guarantor as at the date of the Base Prospectus is given:

Gaselwest (business address of the directors: President Kennedypark 12, B-8500 Kortrijk)

Name	Function	Other Activities (inter alia)
Martens Luc	Chairman	Mayor of Roeselare
Lombaerts Piet	Vice-Chairman	Chairman of the city council of Kortrijk
Callens Karlos	Director, Vice-Chairman of the CGC	Mayor of Ardooie
Casier Youro	Director, member of the CGC	Mayor of Wervik

Croes Claude	Director, member of the CGC	Mayor of Deerlijk
Dejaegher Christof	Director	Mayor of Poperinge
Soens Rik	Director, Chairman of the CGC	First Alderman of Waregem
Vermeulen Jan	Director, member of the CGC	Mayor of Deinze
Vereecke Carl	Director, member of the CGC	Provincial Alderman of West-Flanders
De Groof Chris	Director	
Sarens André	Director	

IMEA (business address of the directors: Merksemsesteenweg 233, B-2100 Deurne-Antwerp)

Name	Function	Other Activities (inter alia)
Kennis Koen	Chairman	Alderman of Antwerp
Cordy Paul	Vice-Chairman, member of the CGC	Alderman of the district of Antwerp
Janssens Luc	Director	Alderman of Kapellen
Dehaen Koen	Director, member of the CGC	Alderman of Mortsel
De Meyer Sonja	Director, Vice-Chairman of the CGC	Councillor of the district of Merksem
Hadermann Joke	Director, Chairman of the CGC	Councillor of Antwerp
Electrabel	Represented by André Sarens	
Wuyts Luc	Member with advisory vote	Councillor of Duffel

IMEWO (business address of the directors: Brusselsesteenweg 199, B-9090 Melle)

Name	Function	Other Activities (inter alia)
Taeldeman Sven	Chairman	City Councillor of Gent
De Witte Peter	Vice-Chairman, Vice-Chairman of the CGC	Alderman of Lokeren
Anny's Pablo	Director, member of the CGC	City Councillor of Brugge
De Waele Christophe	Director	Alderman of Eeklo
Gobeys Anneke	Director, member of the CGC	Councillor of Maldegem
Heyse Tine	Director, member of the CGC	Alderman of Gent
Poppe Patrick	Director, member of the CGC	Mayor of Zele
Thienpont Filip	Director	Mayor of Merelbeke
Vandecasteele Jean	Director, Chairman of the CGC	Mayor of Oostende
Burms Jenny	Director	
Sarens André	Director	
Cornelis Franky	Member with advisory vote	Councillor of Sint-Laureins

Intergem (business address of the directors: Franz Courtensstraat 11, B-9200 Dendermonde)

Name	Function	Other Activities (inter alia)
Buyse Piet	Chairman	Mayor of Dendermonde
D'Haese Christoph	Vice-Chairman	Mayor of Aalst
Braems Cyntia	Director, member of the CGC	City Councillor of Zottegem

Franceus Erwin	Director, member of the CGC	Fourth Alderman of Geraardsbergen
Smet Ernest	Director, Chairman of the CGC	Councillor of Beveren
Van Duyse Kris	Director, Vice-Chairman of the CGC	First Alderman of Stekene
Electrabel	Represented by André Sarens	
Verhofstadt Henk	Member with advisory vote	Councillor of Bever

Iveka (business address of the directors: Koningin Elisabethlei 38, B-2300 Turnhout)

Name	Function	Other Activities (inter alia)
Diels Paul	Chairman	Mayor of Lille
Stockbroekx Ilse	Vice-Chairman	Councillor of Schoten
Jacobs Lukas	Director, Chairman of the CGC	Mayor of Kalmthout
Van Hove Luc	Director, member of the CGC	Mayor of Zandhoven
Vanschoubroek Patrick	Director, Vice-Chairman of the CGC	Chairman of the council of Westerlo
Verwaest Rik	Director, member of the CGC	Alderman of Lier
Electrabel	Represented by André Sarens	
Smets Dirk	Member with advisory vote	Councillor of Retie

Iverlek (business address of the directors: Aarschotsesteenweg 58, B-3012 Wilsele-Leuven)

Name	Function	Other Activities (inter alia)
Geypen Greet	Chairman	Alderman of Mechelen
Tobback Louis	Vice-Chairman	Mayor of Leuven
Asselman Hugo	Director, member of the CGC	Councillor of Liedekerke
Desmeth Jan	Director, member of the CGC	Alderman of Sint-Pieters-Leeuw
Hermans Dirk	Director, Chairman of the CGC	Councillor of Kapelle-op-den-Bos
Partyka Katrien	Director	First Alderman of Tienen
Peeters André	Director, member of the CGC	Mayor of Aarschot
Vermijlen Vital	Director, Vice-Chairman of the CGC	Chairman of the council of Bornem
Willekens Sven	Director, member of the CGC	Fifth Alderman of Overijse
Burms Jenny	Director	
Sarens André	Director	
Agneessens Yves	Member with advisory vote	Councillor of Roosdaal

Sibelgas (business address of the directors: Sterrenkundelaan 12, B-1210 Sint-Joost-ten-Node)

Name	Function	Other Activities (inter alia)
Andries Christian	Director	First Alderman of Wemmel
De Boeck Emiel	Director	Councillor of Meise
De Groef Jean-Pierre	Chairman	Mayor of Machelen
De Ridder Steven	Director	Councillor of Meise

De Ro Jo	Director	Alderman of Vilvoorde
Serkeyn Johan	Director	Alderman of Vilvoorde
Smets Jos	Director	Chairman of the Municipal Council of Grimbergen
Trullemans Johnny	Director	Councillor of Machelen
Van Langenhove Marcel	Director	Alderman of Wemmel
Vleminckx Kevin	Director	Councillor of Grimbergen
Burms Jenny	Director	
Lambrechts Rumold	Director	

There are no conflicts of interest between the duties of directors of the Guarantors and their private interests or other duties. The Corporate Governance Committee of each Guarantor has the statutory task to analyse potential conflicts of interest. Potential conflicts of interest are also scrutinised by the CREG, the VREG and the Flemish tutelle authorities.

Regional Governing Committees and Corporate Governance

Each DSO – with the exception of Sibelgas – has either two or three Regional Governing Committees (RGC) that have an advisory role on matters pertaining to local circumstances

The Corporate Governance Committee (the “**CGC**”) supervises the independence of the network operator and analyses possible conflicts of interest. Flemish legislation on network operators makes a Corporate Governance Committee mandatory.

The Guarantors’ articles of association contain stringent provisions on corporate governance. These provisions are based on several legal and regulatory provisions as to the Guarantors' independent functioning in a liberalised energy market and the rules for a non-discriminatory access to the distribution grids for all distribution network users. In this regard, reference is made to the Flemish Energy Decree of 8 May 2009 that is strictly complied with by each of the Guarantors. Since none of the Guarantors are listed companies, the Corporate Governance Code for Listed Companies (defined above as the “**Code**”) does not apply to the Guarantors. The recommendations of the Corporate Governance Code for Non-listed Companies (also known as the Code Buysse) do apply to the Guarantors, who aim at complying with these recommendations. However, given the nature of the seven Guarantors and the fact that an extensive set of binding corporate governance rules has been imposed upon them, the Guarantors do not apply the Code Buysse in full where full compliance seems impossible, redundant or overly burdensome.

The powers of each of the Corporate Governance Committees also extend to powers and tasks that would typically be conducted by the Audit Committee. Budgetary control, the follow-up of audit activities, the evaluation of the reliability of financial information and the organisation of an internal control system are all tasks that have been attributed to the Corporate Governance Committee of each Guarantor.. In the lists of Directors of the seven Guarantors, it is indicated which Board members are also a member of the Guarantor's Corporate Governance Committee.

For the sake of clarity, it is to be noted that none of the Guarantors has a management committee.

4.4 Shareholding of the Guarantors

General

All capital shares of the Guarantors are held by (i) local authorities (municipalities and provinces) and (ii) Electrabel, a subsidiary of the French utility group GDF Suez. No shareholder exercises control over any Guarantor. In each of the seven Guarantors approx. 79 per cent of the voting shares are held by the local authorities and approx. 21 per cent is held by Electrabel (the exact percentages are set out in the table below). This proportion is partly due to Flemish legislation stipulating that the shareholding of private partners in distribution DSOs is limited to a maximum of 30 per cent. The table below gives an overview of the capital of each of the Guarantors (situation on 30 June 2013).

in EUR	Gaselwest	IMEA	Imewo	Intergem	Iveka	Iverlek	Sibelgas
Fixed capital	6,094,387.94	500,000.00	250,000.00	228,068.00	250,000.00	451,000.00	247,893.53
Variable capital	380,137,878.43	186,991,907.53	423,953,166.51	179,785,207.97	297,01,213.91	369,367,998.43	79,139,451.27
Total capital	386,232,266.37	187,491,907.53	424,203,166.51	180,013,275.97	297,268,213.91	369,818,998.43	79,387,344.80
Capital fully paid-up	Yes	Yes	Yes	Yes	Yes	Yes	Yes
% voting shares held by authorities	74.99	75.00	75.00	75.00	74.87	75.00	75.00
% voting shares held by Electrabel	25.01	25.00	25.00	25.00	25.13	25.00	25.00

In respect of indirect shareholders, it should be noted that the local authorities - shareholders of the Guarantors - are public entities without shareholders. Electrabel is a wholly-owned subsidiary of the French société anonyme GDF Suez, which in turn is held by the French Government (36.7% of share capital as per 31 December 2012), Group Bruxelles Lambert (GBL) (5.1% of share capital), its employees (2.3% of share capital), CDC Group (1.9% of share capital), CNP Assurances Group (1.0% of share capital), Sofina (0.5% of share capital). The management of GDF Suez has a non-significant participation and the company owns 2.3% of its own share capital. 50.2% of the share capital is held by the public (source: GDF Suez Document de Référence 2012).

In a letter dated 29 June 2011, Electrabel has formally notified the Guarantors that it will – as from that date - voluntarily limit its voting rights at the General Shareholders' Meetings of the DSO to 20 percent minus one vote, with the exception of six items (a.o. profit sharing mechanism, corporate purpose, ...) for which it will retain and execute its full voting rights.

The Guarantors have also issued non-voting shares and profit certificates. For more details see the relevant tables below.

Shareholding per Guarantor

The tables below set out the number of voting shares, non-voting shares and profit certificates held by each of the Guarantor's shareholders (situation on 30 June 2013).

Gaselwest

Shareholders	Total Electricity and Gas					
	Shares with voting rights				Profit certificates without voting rights	
	A	F	C	Total A+F+C	E''	E
Alveringem	39,162	11,189	2	50,353	3,561	--
Anzegem	114,711	32,774	2	147,487	10,428	--
Ardooie	141,739	51,730	2	193,471	12,908	33,004
Avelgem	76,673	--	2	76,675	--	--
Celles	15,443	4,412	2	19,857	1,404	1,148
Comines-Warneton	194,048	55,442	2	249,492	17,694	--
Deerlijk	161,559	46,159	2	207,720	14,707	21,023
De Haan	179,738	51,353	2	231,093	16,381	--
Deinze	323,277	96,108	2	419,387	29,422	--
Dentergem	65,584	18,738	2	84,324	5,964	--
De Panne	207,048	59,156	2	266,206	18,870	--
Ellezelles	14,820	4,234	1	19,055	1,346	--
Frasnes-lez-Anvaing	16,728	4,779	1	21,508	1,519	2,430
Gavere	109,629	31,322	2	140,953	9,964	--
Heuvelland	100,774	28,793	2	129,569	9,166	--
Horebeke	16,515	4,719	2	21,236	1,501	2,149
Houthulst	55,723	15,920	2	71,645	5,065	--
Ichtegem	106,728	30,494	2	137,224	9,728	13,888
Ieper	442,450	141,392	2	583,844	40,322	59,752
Ingelmunster	125,918	35,977	2	161,897	11,467	--
Izegem	146,044	41,727	1	187,772	13,383	--
Kluisbergen	71,443	20,413	2	91,858	6,496	--
Koksijde	382,623	109,320	2	491,945	34,858	--
Kortemark	25,873	7,392	1	33,266	2,371	--
Kortrijk	1,053,384	339,971	2	1,393,357	96,011	--
Kruishoutem	95,729	27,351	2	123,082	8,704	12,457
Kuurne	183,479	52,423	2	235,904	16,719	28,186

Shareholders	Total Electricity and Gas					
	Shares with voting rights				Profit certificates without voting rights	
	A	F	C	Total A+F+C	E''	E
Langemark-Poelkapelle	63,698	18,199	2	81,899	5,792	--
Lo-Reninge	24,232	6,923	2	31,157	2,205	3,153
Maarkedal	55,514	15,862	2	71,378	5,043	7,223
Menen	369,142	105,469	2	474,613	33,669	--
Mesen	11,558	3,303	2	14,863	1,054	--
Meulebeke	104,510	29,860	2	134,372	9,517	13,600
Mont de l'Enclus	16,111	4,603	2	20,716	1,463	700
Moorslede	92,038	26,297	2	118,337	8,385	--
Nazareth	96,724	29,880	2	126,606	8,792	--
Nieuwpoort	167,446	47,842	2	215,290	15,256	16,143
Oostrozebeke	79,979	22,851	2	102,832	7,277	--
Oudenaarde	362,233	103,495	2	465,730	32,989	--
Pittem	90,120	25,749	2	115,871	8,205	11,728
Poperinge	175,886	50,253	2	226,141	16,024	16,029
Roeselare	716,662	204,760	2	921,424	65,325	93,258
Ronse	346,254	98,929	2	445,185	31,566	--
Ruiselede	46,983	13,423	2	60,408	4,276	--
Spiere-Helkijn	17,605	5,030	2	22,637	1,600	--
Staden	144,248	41,214	2	185,464	13,132	13,704
Tielt	274,952	78,558	2	353,512	25,040	--
Veurne	172,495	49,284	2	221,781	15,719	--
Vleteren	21,574	6,164	2	27,740	1,963	874
Waregem	472,146	134,899	2	607,047	42,993	43,373
Wervik	155,033	44,295	2	199,330	14,135	--
Wevelgem	109,468	--	1	109,469	--	--
Wielsbeke	99,691	--	2	99,693	--	9,343
Wingene	155,372	44,392	2	199,766	14,136	--
Wortegem-Petegem	57,275	16,365	2	73,642	5,203	--

Shareholders	Total Electricity and Gas					
	Shares with voting rights				Profit certificates without voting rights	
	A	F	C	Total A+F+C	E''	E
Zingem	53,620	15,320	2	68,942	4,872	13,954
Zonnebeke	107,751	32,283	2	140,036	9,813	14,022
Zulte	144,853	41,387	2	186,242	13,169	--
Zwalm	62,487	17,853	2	80,342	5,677	--
Zwevegem	171,811	49,089	2	220,902	15,635	5,765
Total municipalities	9,506,313	2,707,119	115	12,213,547	839,884	436,906
Province East-Flanders	39,112	11,175	2	50,289	3,553	--
Province West-Flanders	6	--	2	8	--	--
Total public authorities	9,545,431	2,718,294	119	12,263,844	843,437	436,906
Electrabel	4,090,899	--	--	4,090,899	--	--
TOTAL	13,636,330	2,718,294	119	16,354,743	843,437	436,906

Imea

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Antwerpen	3,500,854	1,000,237	4,501,091	416,769	789,524	2
Brasschaat	439,079	125,450	564,529	52,573	130,307	2
Duffel	232,503	66,429	298,932	27,983	68,946	2
Kapellen	184,055	52,587	236,642	21,197	8,937	2
Mortsel	235,861	67,388	303,249	28,224	58,196	2
Zwijndrecht	207,901	59,400	267,301	25,002	37,046	2
Total public authorities	4,800,253	1,371,491	6,171,744	571,748	1,092,956	12
Electrabel	2,057,250	--	2,057,250	--	--	--
TOTAL	6,857,503	1,371,491	8,228,994	571,748	1,092,956	12

Imewo

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Aalter	154,113	44,033	198,146	896	4,947	2
Assenede	97,227	27,779	125,006	544	17,204	2
Beernem	96,830	27,666	124,496	533	17,159	2
Berlare	92,840	26,526	119,366	477	--	2
Blankenberge	189,650	54,186	243,836	1,770	7,124	2
Bredene	93,217	26,634	119,851	722	15,858	2
Brugge	1.058,195	302,341	1,360,536	9,719	167,701	2
Damme	69,541	19,869	89,410	454	8,867	2
De Pinte	59,788	17,082	76,870	345	4,678	2
Destelbergen	139,790	39,940	179,730	1,095	3,580	2
Eeklo	234,189	66,911	301,100	2,258	29,860	2
Evergem	249,175	71,193	320,368	1,577	11,735	2

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E"	E	C
Gent	2,770,341	791,520	3,561,861	24,448	632,451	2
Jabbeke	30,301	8,657	38,958	642	3,863	1
Kaprijke	50,691	14,483	65,174	277	2,526	2
Knesselare	55,453	15,843	71,296	280	8,560	2
Knokke-Heist	496,700	141,913	638,613	4,074	--	2
Laarne	95,300	27,228	122,528	595	--	2
Lede	121,807	34,802	156,609	994	1,292	2
Lichtervelde	54,631	15,609	70,240	363	9,485	2
Lochristi	168,011	48,003	216,014	1,151	3,823	2
Lokeren	348,353	99,529	447,882	2,908	9,498	2
Lovendegem	77,424	22,122	99,546	484	13,536	2
Maldegem	202,542	57,869	260,411	1,677	--	2
Melle	101,711	29,060	130,771	982	8,321	2
Merelbeke	149,058	42,588	191,646	1,592	23,891	2
Moerbeke-Waas	42,468	12,134	54,602	290	21,645	2
Nevele	84,403	24,115	108,518	329	--	2
Oostende	795,396	227,255	1,022,651	5,375	8,890	2
Oosterzele	83,402	23,829	107,231	336	4,536	2
Oostkamp	131,943	37,698	169,641	784	23,201	2
Sint-Laureins	55,194	15,770	70,964	323	1,231	2
Sint-Lievens-Houtem	60,256	17,216	77,472	189	7,683	2
Sint-Martens-Latem	50,904	14,544	65,448	260	7,753	2
Waarschoot	68,323	19,521	87,844	529	--	2
Wachtebeke	35,619	10,177	45,796	193	4,541	2
Wetteren	227,132	64,895	292,027	1,835	28,960	2
Wichelen	78,208	22,345	100,553	433	918	2
Zedelgem	131,533	37,580	169,113	939	21,343	2
Zeile	221,373	63,249	284,622	1,974	4,621	2
Zomergem	50,180	14,337	64,517	261	6,398	2
Zuienkerke	18,164	5,190	23,354	82	2,824	2
Total municipalities	9,391,376	2,683,241	12,074,617	74,989	1,150,503	83

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Province East-Flanders	38,983	11,138	50,121	1	--	2
Province West-Flanders	2	--	2	--	--	2
Total public authorities	9,430,361	2,694,379	12,124,740	74,990	1,150,503	87
Electrabel	4,041,582	--	4,041,582	--	--	--
TOTAL	13,471,943	2,694,379	16,166,322	74,990	1,150,503	87

Intergem

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Aalst	813,258	232,356	1,045,614	21,882	--	2
Affligem	63,248	18,071	81,319	1,733	--	2
Bever	6,816	1,948	8,764	192	--	2
Beveren	471,287	134,652	605,939	12,749	42,187	2
Brakel	66,783	19,080	85,863	1,847	5,978	2
Buggenhout	116,795	33,370	150,165	3,173	--	2
Denderleeuw	124,597	35,599	160,196	3,330	--	2
Dendermonde	465,105	132,885	597,990	12,354	41,634	2
Erpe-Mere	118,767	33,933	152,700	3,300	--	2
Geraardsbergen	236,219	67,490	303,709	6,299	21,146	2
Haaltert	105,591	30,169	135,760	2,868	--	2
Hamme	204,129	58,322	262,451	5,398	20,097	2
Herzele	83,504	23,859	107,363	2,286	--	2
Kruikebe	128,303	36,658	164,961	3,421	11,485	2
Lebbeke	137,819	39,377	177,196	3,698	--	2
Lierde	26,715	7,633	34,348	738	--	2
Ninove	281,111	80,317	361,428	7,604	--	2

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
St.-Gillis-Waas	143,244	40,926	184,170	3,791	12,823	2
St.-Niklaas	780,379	222,962	1,003,341	20,847	--	2
Stekene	134,247	38,356	172,603	3,556	--	2
Temse	262,386	74,966	337,352	6,993	23,488	2
Waasmunster	68,825	19,664	88,489	1,855	--	2
Zottegem	174,243	49,784	224,027	4,731	--	2
Total municipalities	5,013,371	1,432,377	6,445,748	134,645	178,838	46
Province East-Flanders	27,730	7,923	35,653	785	--	2
Total public authorities	5,041,101	1,440,300	6,481,401	135,430	178,838	48
Electrabel	2,160,469	--	2,160,469	--	--	--
TOTAL	7,201,570	1,440,300	8,641,870	135,430	178,838	48

Iveka

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Aartselaar	71,983	20,567	92,550	4,882	13,033	1
Arendonk	127,590	36,454	164,044	10,090	--	2
Baarle-Hertog	22,492	6,426	28,918	1,629	4,479	2
Balen	171,597	49,028	220,625	12,816	--	2
Beerse	172,475	49,278	221,753	14,005	--	2
Boom	128,974	36,849	165,823	10,753	--	2
Borsbeek	57,697	16,485	74,182	4,809	--	2
Brecht	241,647	69,042	310,689	18,951	--	2
Dessel	85,254	24,359	109,613	6,706	15,435	2
Edegem	141,497	40,428	181,925	11,673	--	2
Essen	38,683	11,052	49,735	3,887	--	1

Geel	371,408	106,117	477,525	29,378	--	2
Grobbendonk	68,333	19,524	87,857	4,634	12,372	1
Herentals	285,872	81,677	367,549	23,095	--	2
Herenthout	87,748	25,071	112,819	7,101	15,887	2
Hoogstraten	240,666	68,761	309,427	19,059	--	2
Hove	59,332	16,952	76,284	4,857	--	2
Kalmthout	165,230	47,209	212,439	13,201	--	2
Kasterlee	170,207	48,630	218,837	13,356	--	2
Kontich	186,914	53,403	240,317	15,212	--	2
Lier	306,011	87,432	393,443	24,785	55,404	2
Lille	164,506	47,001	211,507	13,065	37,222	2
Lint	54,596	15,599	70,195	4,499	--	2
Malle	149,868	42,819	192,687	11,966	27,134	2
Meerhout	87,580	25,023	112,603	6,672	15,857	2
Merkspas	30,265	8,647	38,912	3,041	--	1
Mol	314,450	89,842	404,292	24,726	56,933	2
Olen	119,619	34,176	153,795	9,661	--	2
Oud-Turnhout	132,979	37,994	170,973	10,678	--	2
Ranst	178,823	51,092	229,915	14,351	--	2
Ravels	160,281	45,795	206,076	12,587	--	2
Retie	105,753	30,215	135,968	8,372	--	2
Rijkevorsel	121,092	34,597	155,689	9,485	--	2
Rumst	137,581	39,309	176,890	11,310	24,910	2
Schelle	65,790	18,797	84,587	5,340	11,912	2
Schilde	182,804	52,229	235,033	14,667	33,098	2
Schoten	258,098	73,742	331,840	20,963	28,037	2
Stabroek	61,232	17,495	78,727	4,153	--	1
Turnhout	381,484	108,995	490,479	31,649	--	2
Vorselaar	19,902	5,686	25,588	2,000	7,429	1
Westerlo	233,190	66,625	299,815	18,750	--	2
Wijnegem	82,510	23,574	106,084	6,667	14,938	2
Wommelgem	118,645	33,899	152,544	9,537	--	2
Wuustwezel	179,868	51,390	231,258	14,120	32,566	2
Zandhoven	123,853	35,387	159,240	9,891	--	2
Zoersel	176,543	50,440	226,983	14,160	31,964	2
Total municipalities	6,842,922	1,955,112	8,798,034	547,189	438,610	86

Province Antwerp	715,953	135,902	851,855	54,069	--	7
Total public authorities	7,558,875	2,091,014	9,649,889	601,258	438,610	93
Electrabel	3,239,517	--	3,239,517	--	--	--
TOTAL	10,798,392	2,091,014	12,889,406	601,258	438,610	93

Iverlek

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
Aarschot	301,419	86,119	387,538	28,838	40,097	2
Asse	305,809	87,374	393,183	30,911	--	2
Beersel	286,921	81,977	368,898	29,161	--	2
Berlaar	118,836	33,954	152,790	11,994	15,808	2
Bertem	87,354	24,958	112,312	8,460	11,621	2
Bierbeek	85,957	24,559	110,516	7,990	11,434	2
Bonheiden	142,300	40,657	182,957	13,940	37,860	2
Boortmeerbeek	101,686	29,053	130,739	9,431	13,527	2
Bornem	241,898	69,114	311,012	24,974	--	2
Boutersem	72,467	20,704	93,171	7,037	--	2
Diest	73,926	21,122	95,048	9,597	19,668	1
Dilbeek	455,806	130,230	586,036	47,276	--	2
Drogenbos	83,543	23,869	107,412	9,026	--	2
Haacht	115,612	33,032	148,644	10,484	15,380	2
Halle	433,202	123,771	556,973	45,306	--	2
Heist-Op-Den-Berg	384,743	109,926	494,669	37,211	51,181	2
Herent	192,736	55,068	247,804	19,249	25,639	2
Herselt	129,467	36,991	166,458	11,788	17,222	2
Hoegaarden	72,980	20,851	93,831	7,319	9,708	2
Hoeilaart	114,898	32,828	147,726	11,715	15,284	2
Huldenberg	82,921	23,692	106,613	7,597	11,031	2
Hulshout	90,359	25,817	116,176	8,520	12,020	2
Kapelle-Op-Den-Bos	89,803	25,658	115,461	8,911	--	2

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E"	E	C
Keerbergen	93,552	26,729	120,281	8,282	12,445	2
Kortenberg	204,763	58,504	263,267	20,950	27,239	2
Kraainem	150,734	43,067	193,801	15,995	20,052	2
Lennik	82,232	23,495	105,727	7,698	10,939	2
Leuven	1,125,203	321,486	1,446,689	118,844	149,682	2
Liedekerke	111,833	31,952	143,785	10,828	--	2
Linkebeek	59,592	17,026	76,618	6,353	7,928	2
Londerzeel	166,447	47,557	214,004	15,844	--	2
Mechelen	1,045,456	298,701	1,344,157	111,398	139,072	2
Merchtem	135,009	38,574	173,583	12,942	17,960	2
Opwijk	106,080	30,308	136,388	10,102	--	2
Overijse	279,159	79,760	358,919	28,042	37,136	2
Putte	150,383	42,967	193,350	14,361	20,005	2
Puurs	193,695	55,341	249,036	19,827	13,194	2
Roosdaal	96,478	27,565	124,043	9,138	12,834	2
Rotselaar	137,962	39,418	177,380	12,782	18,353	2
Scherpenheuvel-Zichem	194,985	55,710	250,695	17,834	37,977	2
Sint-Amands	85,464	24,418	109,882	8,733	--	2
Sint-Genesius-Rode	223,185	63,767	286,952	23,167	--	2
Sint-Katelijne-Waver	223,649	63,899	287,548	22,508	29,751	2
Sint-Pieters-Leeuw	360,978	103,136	464,114	37,088	48,019	2
Ternat	149,331	42,666	191,997	14,538	19,864	2
Tervuren	239,082	68,309	307,391	24,838	31,804	2
Tienen	421,162	120,331	541,493	43,650	56,026	2
Tremelo	68,483	19,567	88,050	6,314	13,285	2
Wezembeek-Oppeem	150,933	43,124	194,057	15,908	--	2
Willebroek	302,055	86,301	388,356	31,751	40,181	2
Zaventem	491,070	140,305	631,375	51,394	45,142	2
Zemst	210,629	60,180	270,809	20,692	28,019	2
Total public authorities	11,324,227	3,235,487	14,559,714	1,148,536	1,144,387	103
Electrabel	4,853,240	--	4,853,240	--	--	--

Shareholders	Total Electricity and Gas					
	Shares with voting rights			Shares without voting rights		Profit certificates
	A	F	Total A+F	E''	E	C
TOTAL	16,177,467	3,235,487	19,412,954	1,148,536	1,144,387	103

Sibelgas

Shareholders	Total Electricity and Gas					
	Shares with voting rights				Profit certificates without voting rights	
	C	F	D	Total C+F+D	E''	E
Anderlecht	1	--	--	1	--	--
Brussel	2	--	--	2	--	--
Evere	2	--	--	2	--	--
Ganshoren	2	--	--	2	--	--
Grimbergen	2	--	2,826	2,828	--	--
Jette	2	--	--	2	--	--
Machelen	2	--	1,692	1,694	--	--
Meise	2	--	1,238	1,240	--	--
Sint-Joost-Ten-Node	2	--	--	2	--	--
Schaarbeek	2	--	--	2	--	--
Vilvoorde	2	--	3,116	3,118	--	--
Wemmel	2	--	1,128	1,130	--	--
T.G.E.K.	2	--	--	2	--	--
R.D.E	2	--	--	2	--	--
I.B.E.	1,432,004	404,143	--	1,836,147	--	290,707
I.B.G.	1,432,003	404,146	--	1,836,149	--	526,220
Interfin	2	--	--	2	--	--
Total public authorities	2,864,036	808,289	10,000	3,682,325	--	816,927
Electrabel	1,227,443	--	--	1,227,443	--	--
T.G.E.K.	1	--	--	1	--	--
TOTAL	4,091,480	808,289	10,000	4,909,769	--	816,927

General Meeting

Twice a year the General Meeting is convened: in the course of the first semester for discussing and approving the annual financial statements of the previous financial year, and in the course of the second semester for a discussion on the budgets and the strategy for the following year.

5 Selected Financial Information Concerning the Issuer and the Eandis Economic Group

5.1 Selected historical financial information of the Issuer for the financial years ended 31 December 2012 and 31 December 2011

The following tables set out in summary form certain balance sheet, income statement and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated statements of the Issuer for the years ended 31 December 2012 and 2011. The audited, consolidated financial statements of the Issuer of the year ended 31 December 2012 have been approved by the Issuer's Annual General Meeting of Shareholders on 26 April 2013. These consolidated statements of the Issuer have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**"). The auditors of the Issuer issued an unqualified report on the consolidated statements of the Issuer for the years ended 31 December 2012 and 2011.

Consolidated Income Statement as at 31 December 2012 and 31 December 2011

(In thousands of EUR)	2012	2011	Change between 2011-2012 (%)
Operating revenue	1,299,032	1,254,650	-3.5%
Revenue	1,284,611	1,240,236	-3.6%
Other operating revenue	13,822	14,395	4.0%
Own construction capitalized	599	19	-3052.6%
Operating expenses	-1,299,237	-1,261,150	-3.0%
Changes in inventories of finished goods and raw materials	-144,223	-158,526	9.0%
Cost for services and other consumables	-711,060	-657,279	-8.2%
Employee benefit expenses	-438,766	-439,514	0.2%
Depreciation, amortisation and changes in provisions	-5,018	-5,489	8.6%
Other operational expenses	-170	-342	50.3%
Result from operations	-205	-6,500	96.8%
Finance income	42,370	22,476	-88.5%
Finance costs	-41,504	-21,482	-93.2%
Profit (loss) before tax	661	-5,506	112.0%
Income tax expenses	-661	5,506	112.0%

Result for the period	0	0
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Consolidated Statement of comprehensive income as at 31 December 2012 and 31 December 2011

(In thousands of EUR)	2012	2011
Actuarial gain (loss) on long term employee benefits	-105,627	-52,570
Actuarial gain (loss) on rights to reimbursement on long term employee benefits	105,627	52,570
Other comprehensive income	0	0
Result for the period	0	0
Total comprehensive income for the period	0	0

Consolidated Balance Sheet as at 31 December 2012 and 2011

(In thousands of EUR)	2012	2011
Non-current assets	2,099,283	1,329,773
Property, plant and equipment	7,769	10,312
Investments in associates	5	5
Other investments	988	1,102
Rights to reimbursement on post-employment employee benefits	584,768	498,166
Long term receivables	1,505,753	820,188
Current assets	341,938	461,603
Inventories	38,294	32,166
Trade and other receivables	47,851	99,735
Receivables cash pool activities	246,158	312,081
Current tax assets	3,010	11,678
Cash and cash equivalents	6,625	5,943
TOTAL ASSETS	2,441,221	1,791,376
EQUITY	1,099	1,099
Equity attributable to owners of the parent	20	20
Share capital and reserves	20	20
Non-controlling interest	1,079	1,079
LIABILITIES	2,440,122	1,790,277
Non-current liabilities	2,080,364	1,315,791
Interest bearing loans and borrowings	1,495,596	817,625
Employee benefit liability	584,768	498,166

Current liabilities	359,758	474,486
Interest bearing loans and borrowings	111,908	254,619
Government grants	609	0
Trade payables and other current liabilities	247,162	219,833
Current tax liabilities	79	34
TOTAL EQUITY AND LIABILITIES	2,441,221	1,791,376

Consolidated Cash-flow Statement as at 31 December 2012 and 31 December 2011

(In thousands of EUR)	2012	2011
Result for the period	0	0
Depreciation on property, plant and equipment	5,028	5,522
Impairment on current assets (reversal-; recognition +)	-10	-33
Gain or loss on realization receivables	1	64
Net finance expense	-703	-994
Movement in government grants	-163	0
Income tax expense (income)	661	-5,506
Operating cash flow before changes in working capital and provisions for employee benefits	4,814	-947
Change in inventories	-6,127	-4,076
Change in trade and other receivables	55,764	-66,142
Change in trade payables and other current liabilities	23,146	36,008
Net operating cash flow	72,783	-34,210
Interest paid	-36,994	-18,088
Interest received	36,927	17,755
Financial discount on debts	1,126	1,213
Income tax paid	8,052	-3,396
Net cash flow from/used in operating activities	86,708	-37,673
Proceeds from sale of property, plant and equipment	394	0
Purchase of property, plant and equipment	-2,879	-1,573
Purchase of financial assets	-9	-15
Proceeds from sale of other investments	515	0
Net investment in other long term receivables	-21	-160
Receipt of government grants	618	0
Net cash flow used in investing activities	-1,382	-1,748
Issuance of capital	0	8
Issuance of bonds	677,650	497,570
Repayment short term loans and borrowings	-142,711	-124,411
Change in cash pool	65,917	167,133
Provide long term loans	-685,500	-500,000
Dividends received	0	160
Net cash flow from/used in financing activities	-84,644	40,460
Net change in cash and cash equivalents	682	1,039

Cash and cash equivalents - at beginning of period	5,943	4,904
Cash and cash equivalents - at end of period	6,625	5,943

5.2 *Historical Financial Information of the Issuer for the half year ended 30 June 2013*

The following tables set out in summary form certain balance sheet and income statement information relating to the Issuer. The information has been extracted from the audited consolidated half year condensed financial statements of the Issuer for the half year ended 30 June 2013, which have been prepared in accordance with IFRS).

Note that the revised version of IAS 19 (*Employee Benefits*) that outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits issued in June 2011 became applicable to annual periods beginning on or after 1 January 2013. The impact hereof on the accounts of the Issuer is set out on page 11 of the audited consolidated half year condensed financial statements of the Issuer for the half year ended 30 June 2013 incorporated by reference in this Base Prospectus. The table below provides a comparison against restated historical financial information of the Issuer, assuming the revised version of IAS 19 already applied to such period.

Condensed consolidated Income Statement as at 30 June 2013

(In thousands of EUR)	30 June 2013	30 June 2012 Restated *
Operating revenue	634,064	637,609
Revenue	626,845	630,296
Other operating revenue	7,159	7,274
Own construction capitalized	60	39
Operating expenses	-633,219	-638,251
Changes in inventories of finished goods and raw materials	-73,052	-75,903
Cost for services and other consumables	-336,428	-335,694
Employee benefit expenses	-220,777	-224,060
Amortisation, depreciation and changes in provisions	-2,590	-2,530
Other operational expenses	-372	-64
Result from operations	845	-642
Finance income	29,615	19,544
Finance costs	-30,260	-18,734
Profit (loss) before tax	200	168
Income tax expenses	-200	-168
Result for the period	0	0

Condensed consolidated statement of Comprehensive Income as at 30 June 2013

(In thousands of EUR)	30 June 2013	30 June 2012 Restated *
Result for the period	0	0
Other comprehensive income		
Items not to be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on long term employee benefits	82,700	-87,315
Actuarial gains (losses) on rights to reimbursement on long term employee benefits	-82,700	87,315
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	0	0
Total comprehensive income for the period	0	0

Condensed consolidated Balance Sheet as at 30 June 2013

(In thousands of EUR)	30 June 2013	31 December 2012 Restated *
Non-current assets	2,130,844	2,104,061
Intangible assets	1,421	0
Property, plant and equipment	4,821	7,769
Investments in associates	5	5
Other investments	988	988
Rights to reimbursement on post-employment employee benefits	492,854	589,546
Long term receivables	1,630,755	1,505,753
Current assets	285,388	341,938
Inventories	33,622	38,294
Trade and other receivables	61,971	47,851
Receivables cash pool activities	183,736	246,158
Current tax assets	0	3,010
Cash and cash equivalents	6,059	6,625
TOTAL ASSETS	2,416,232	2,445,999
EQUITY	1,099	1,099
Equity attributable to owners of the parent	20	20
Share capital and reserves	20	20
Non-controlling interest	1,079	1,079
LIABILITIES	2,415,133	2,444,900
Non-current liabilities	2,111,777	2,085,142
Interest bearing loans and borrowings	1,618,923	1,495,596
Employee benefit liability	492,854	589,546

Current liabilities	303,356	359,758
Interest bearing loans and borrowings	23,162	111,908
Government grants	433	609
Trade payables and other current liabilities	265,765	247,162
Liabilities cash pool activities	13,686	0
Current tax liabilities	310	79
TOTAL EQUITY AND LIABILITIES	2,416,232	2,445,999

5.3 Audit of historical financial information for the Issuer

The independent auditor of the company is Ernst & Young Bedrijfsrevisoren BCBVA, represented by Jan De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen).

5.4 Selected consolidated historical financial information of Eandis Economic Group for the financial years ended 31 December 2012 and 31 December 2011

The following tables set out in summary form certain balance sheet, income statement and cash flow information relating to the Eandis Economic Group. The information has been extracted from the audited consolidated statements of the Eandis Economic Group for the years ended 31 December 2012 and 2011. These consolidated statements of the Issuer have been prepared in accordance with IFRS.

The auditors of the Eandis Economic Group have emphasised in their audit report the uncertainty in respect of the tariffs applied by the Guarantors in light of the *ex-post* control of the CREG hereon (please see the risk factor "*Settlement of deviations from budgeted values and incentive regulation mechanism*" on page 35 above and the heading "*Tariff Procedure: Control*" in section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) on page 93 above. The estimated amount of the tariff deficit for the financial years 2011 and 2012 is recorded on the balance sheet on the transitory accounts in anticipation of a final decision hereon by the CREG.

Eandis Economic Group Consolidated Income Statement as at 31 December 2012 and 31 December 2011

(In thousands of EUR)	2012	2011	Change between 2011-2012 (%)
Operating revenue	2,906,762	2,837,989	-2.4%
Revenue	2,190,528	2,127,459	-3.0%
Other operating income	53,054	44,986	-17.9%
Own construction. capitalized	663,180	665,544	0.4%
Operating expenses	-2,399,987	-2,339,351	-2.6%
Cost of trade goods	-924,997	-861,511	-7.4%
Cost for services and other consumables	-741,065	-671,469	-10.4%
Employee benefit expenses	-438,800	-439,531	0.2%
Depreciation. amortisation. impairments and changes in provisions	-261,925	-283,033	7.5%
Other operational expenses	-77,390	-61,800	-25.2%

Regulated transfers	44,190	-22,007	300.8%
Result from operations	506,775	498,638	-1.6%
Finance income	2,648	2,462	-7.6%
Finance costs	-205,789	-206,462	0.3%
Profit before tax	303,634	294,638	-3.1%
Income tax expenses	-3,977	1,563	354.4%
Profit for the period	299,657	296,201	-1.2%

Eandis Economic Group Consolidated Statement of Comprehensive income as at 31 December 2012 and 2011

(In thousands of EUR)	2012	2011	Change between 2011- 2012 (%)
Actuarial gain (loss) on post employment employee benefits	-105,627	-52,570	-100.9%
Other comprehensive income	-105,627	-52,570	-100.9%
Profit for the period	299,657	296,201	-1.2%
Total comprehensive income for the period	194,030	243,631	20.4%

Eandis Economic Group Consolidated Balance Sheet as at 31 December 2012 and 2011

(In thousands of EUR)	2012	2011
Non-current assets	7,501,636	7,238,756
Intangible assets	76,101	42,726
Property, plant and equipment	7,421,186	7,191,420
Investments in an associate	5	5
Other investments	988	1,102
Long term receivables	3,356	3,503
Current assets	1,200,793	948,936
Inventories	38,294	32,166
Trade and other receivables	1,152,161	899,128
Current tax assets	3,497	11,678
Cash and cash equivalents	6,841	5,964

TOTAL ASSETS	8,702,429	8,187,692
EQUITY	2,784,185	2,815,724
Total equity attributable to owners of the parent	2,783,106	2,814,645
Capital	1,924,415	1,924,415
Reserves	497,952	446,915
Other components of equity	-264,102	-158,475
Retained earnings	624,841	601,790
Non-controlling interest	1,079	1,079
LIABILITIES	5,918,244	5,371,968
Non-current liabilities	4,626,092	4,516,173
Interest bearing loans and borrowings	3,847,136	3,827,775
Employee benefit liability	584,768	498,166
Derivative financial instruments	163,453	142,443
Provisions	28,450	45,473
Other non-current liabilities	2,285	2,316
Current liabilities	1,292,152	855,795
Interest bearing loans and borrowings	771,774	407,593
Government grants	609	0
Trade payables and other current liabilities	519,685	443,786
Current tax liabilities	84	4,416
TOTAL EQUITY AND LIABILITIES	8,702,429	8,187,692

Eandis Economic Group Consolidated Cash-flow Statement as at 31 December 2012 and 31 December 2011

(In thousands of EUR)	2012	2011
Profit for the period	299,657	296,201
Amortisation of intangible assets	23,868	12,419
Depreciation on property, plant and equipment	282,358	273,324
Change in provisions (Reversal -; Recognition +)	-17,023	-940
Impairment current assets (Reversal -; Recognition +)	-27,277	-1,770
Gains or losses on realization receivables	26,548	12,545
Net finance costs	182,294	146,753
Change in fair value of derivative financial instruments	21,010	57,248
Gains or losses on sale of property, plant and equipment	45,785	45,756
Movement in government grants	-163	0
Income tax expense	3,977	-1,563
Operating cash flow before change in working capital and provisions for employee benefits	841,034	839,973
Change in inventories	-6,128	-4,076
Change in trade and other receivables	-251,957	-110,716
Change in trade payables and other current liabilities	75,199	59,390
Change in employee benefits	-19,025	-16,435
Net operating cash flow	-201,911	-71,837
Interest paid	-183,751	-140,209
Interest received	307	398
Financial discount on debts	1,762	1,865

Income tax paid	-128	-6,956
Net cash flow from operating activities	457,313	623,234
Proceeds from sale of property, plant and equipment	1,988	517
Purchase of intangible assets	-57,243	-33,529
Purchase of property, plant and equipment	-561,441	-585,060
Net investments	-9	-15
Proceeds from sale of other investments	515	0
Net investments in long term receivables	-21	-160
Receipt of a government grant	618	0
Net cash flow used in investing activities	-615,593	-618,247
Proceeds from issue of shares	0	15,385
Repayment of share capital	0	-409,332
Repayment of borrowings	-151,719	-91,990
Proceeds from borrowings	0	325,000
Proceeds from bonds/borrowings	677,650	497,570
Change in current liabilities	-142,718	-124,404
Transfer of guarantee for allotments	-31	0
Dividends paid	-224,025	-228,581
Dividends received	0	160
Net cash flow from/used in financing activities	159,157	-16,192
Net decrease in cash and cash equivalents	877	-11,205
Cash and cash equivalents at the beginning of the period	5,964	17,169
Cash and cash equivalents at the end of the period	6,841	5,964

5.5 Audit of historical financial information of the Eandis Economic Group

The independent auditor of the company is Ernst & Young Bedrijfsrevisoren BCBVA, represented by Jan De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen).

5.6 Financing of the Eandis Economic Group

General

The Eandis Economic Group attracts financing from various sources. The Eandis Economic Group addresses short term funding needs primarily through its commercial paper programme, as well as through various bank loans. All bonds and notes financing of the Eandis Economic Group is contracted by Eandis, with guarantees from the Guarantors. No third parties have granted guarantees in respect of the indebtedness of the Eandis Economic Group.

Long term financing

The total amount of long term financial debt of the Eandis Economic Group that is currently outstanding amounts to EUR 4,535 million as of 30 June 2013.

The below tables provide an overview of the composition of the long term financing of the Eandis Economic Group and the maturity profile.

Overview long term financing Eandis Economic Group (in million EUR)

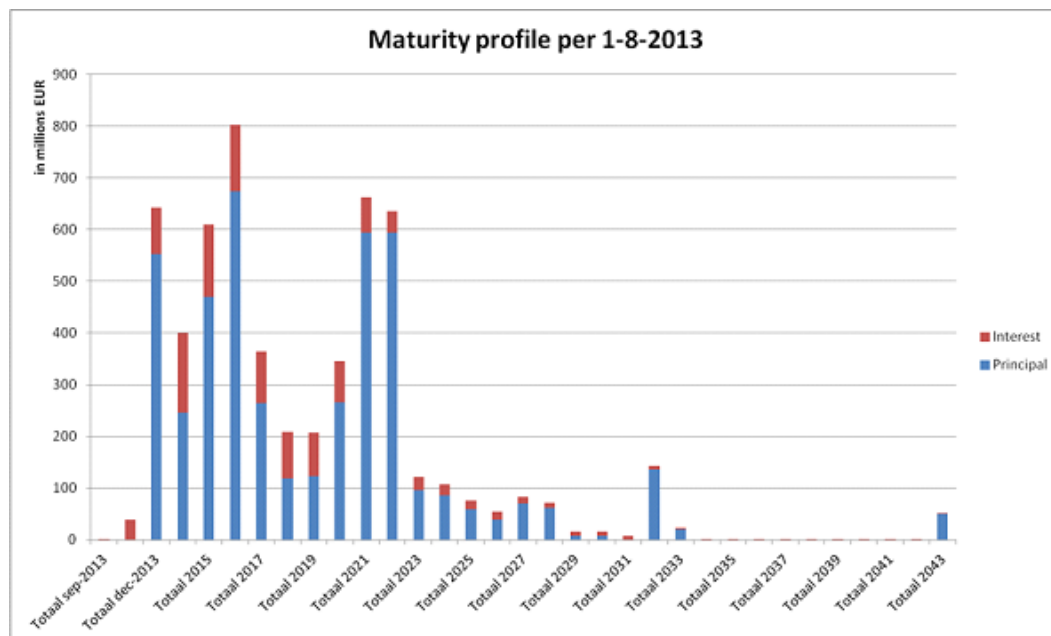
30 June 2013

Bank loans	Bank loans (outstanding)	Bonds (institutional)	Bonds (retail)	Schuldschein / Namensschuldverschreibung	Other loans	Total (nominal)	Total (outstanding)
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(nominal

3,525 2,904 1,211 320 100 0 5,156 4,535

The Eandis Economic Group strives to optimise the maturity profile of its debt. The amounts to be paid by the Eandis Economic Group on account of principal and interests on the long term financing are set out in the maturity profile below:



Long term financing is obtained through a broad range of different bank loans contracted with various banks through separate agreements. The Eandis Economic Group is currently not in default under any covenants set out in such agreements. The only financial covenant included therein is a solvency ratio set at 30%. The Eandis Economic Group monitors compliance with such covenant on a monthly basis, and expects to comply with such covenant on 31 December 2013. A rise in the debt level due to additional debt issues under the EMTN Programme, assuming a status quo in the level and amount of equity, will - according to the simulations carried out by the Eandis Economic Group - not endanger the current solvency ratios in these agreements: solvency will remain at a minimum level of 33 per cent of equity or above.

Since the Eandis Economic Group wishes to diversify its funding basis, the Eandis Economic Group increasingly funds itself through the issuance of notes and bonds, among others under this EMTN-programme. The outstanding amount of long term bank loans is EUR 2,905,478,000. Long term debt securities are issued and outstanding for an aggregate amount of EUR 1,618,923,000.

Short term financing

The Eandis Economic Group has the benefit of various financing arrangements to cater for its short term financing needs. The below table provides an overview hereof:

Overview short term financing Eandis Economic Group *30 June 2013* (in EUR 000's)

Instrument	Maximum amount	Amount outstanding	Amount unused
Commercial Paper	522,000	0	522,000
Fixed advances	50,000	0	50,000

Fixed loans	200,000	23,162	176,838
Total	772,000	23,162	748,838

An overview of the evolution of the total amounts of debt borrowed or raised by the Eandis Economic Group and the applicable leverage over the last periods is provided in the table below:

Evolution of financing Eandis Economic Group

30 June 2013

(in EUR 000's)

	30/6/2013	31/12/2012	31/12/2011
Long term borrowing	3,860,749	3,847,136	3,827,775
Current portion of long term loans	663,653	659,866	152,974
Short term loans	23,162	111,908	254,619
Short term loans	686,815	771,774	407,593
Total	4,547,563	4,618,910	4,235,369
Leverage ³³	1.51	1.66	1.50

6 Legal and arbitration procedures

6.1 Legal and arbitration proceedings of the Issuer

Legal Proceedings

- Eandis is defendant in litigation before the Court of First Instance of Leuven in relation to a claim made by the city of Tienen. The city of Tienen claims certain sums from Eandis on the basis that such sums are due under dividend guarantee obligations binding on the Issuer. The total claim amounts to EUR 12.7 million. Eandis refutes this claim, stating that as a consequence of the energy liberalisation process the dividend guarantees referred to by the city of Tienen, were no longer valid.
- Eandis has conducted a public procurement procedure regarding transportation to and from its central distribution centre. A disappointed participant to whom the contract was not awarded, lodged a civil claim instituting criminal proceedings with the Court of First Appeal of Ghent for breach of Article 245 of the Belgian Criminal Code. The claimant argued that Eandis was aware of connections between an external consultant called upon in the procurement procedure and the company to whom the contract was awarded. These had collaborated on the development of an IT tool. The Court ruled that Eandis provided indispensable assistance to facts that were construed as the taking of an interest, in particular by commercially using the IT tool providing the developers with a direct benefit. Eandis was therefore convicted as accomplice. The taking of an interest is a criminal offence and specific kind of conflict of interest in which a legal person or individual, mandated with the management or supervision of a matter of public interest relating to governmental functions, has a private interest in the matter he is mandated with. An appeal has been lodged. The Issuer was sentenced to a fine of 5.500 EUR. The Issuer has appealed this verdict, which could result either in the acquittal or sentencing of the Issuer, possibly with a different penalty.

Other than the above, the Issuer is currently not involved in litigation that could have a material impact on it.

³³ Long term borrowing + short term borrowing / equity

Insurance Proceedings

Eandis is currently not involved in insurance proceedings that could have a material impact on it.

6.2 Legal and arbitration proceedings of the Guarantors

Legal Proceedings

The summary below gives an overview of the proceedings that may have a material impact on one or more of the Guarantors.

- DSOs - distribution tariffs: several consumers filed a civil action against Electrabel before the Justice of the Peace (*Vrederechter/Juge de Paix*) to reclaim the distribution fees paid during the years 2009 and 2010 on the motivation that they would have been charged without valid legal basis. 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 legal discussions surrounding the validity of the Tariff Decrees should not lead to a repayment of all distribution fees (see sub heading "*Material litigations which could challenge previous tariff decisions made by the CREG*", of section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) on page 93 above). Whatever the outcome of these proceedings, the DSOs will not be subject to any material adverse financial impact, since they will be able to translate this potential impact into the distribution grid tariffs.
- DSOs – distribution tariffs: the tariff decision by the CREG, dated 31 March 2011, allowing a tariff increase for the DSOs, is being challenged before the Court of Appeal of Brussels. The Court decided on 26 June 2012 in an interlocutory judgement that, although the tariff increases were in principle justified, the CREG founded its decision on the wrong legal basis. (see sub heading "*Material litigations which could challenge previous tariff decisions made by the CREG*", of section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) on page 93 above). Whatever the outcome of these proceedings, the DSOs will not be subject to any material adverse financial impact, since they will be able to translate this potential impact into the distribution grid tariffs.
- IMEA: the Municipal Autonomous Parking Company Antwerp (GAPA) has issued a provisional claim against IMEA of EUR 394,576 for alleged insufficient maintenance of a parking guiding system. IMEA is contesting the claim on the grounds that its role was limited to attributing the project to a third party and to connecting the parking guiding system to the distribution grid.
- Several of the Guarantors have issued a claim for the total aggregated amount of EUR 898,000 against a supplier declared bankrupt in 2008 in relation to unpaid distribution grid fees for the year 2002.

Insurance Proceedings

In the course of their normal activities the Guarantors are confronted with a large number of insurance proceedings that are separately not material, but taken all together could have a material impact. In the following table an aggregated overview (situation as per July 2013) of the disputed files in which at least one of the Guarantors is involved is presented (note: not all of the disputes listed below have led or will lead to a legal proceedings, many of them being settled amicably by agreement between the DSO and the end user):

Type of claim	Number of claims	Potential financial impact	Remarks
Works carried out for the account of the customer *	15,313	EUR 6,258,152	
Professional drops ³⁴ *	1,186	EUR 634,672	Financial impact can only be estimated after having gained access to metering installations
Residential drops ³⁵ *	247	EUR 325,402	Financial impact might have to be adjusted after having gained access to metering installations
Final invoice “Move Outs” ³⁶ *	14,953	EUR 13,772,623	
Final invoices “Social Public Service Obligations” ³⁷ *	7,265	EUR 7,419,256	
Fraud *	820	EUR 9,500,142	
Damages to DSO network infrastructure *	833	EUR 2,499,924	
Network infrastructure displacements ³⁸	32	EUR ³⁹ 7,563,734	In most of these cases either the Flemish Region or NMBS, the Belgian railway company, are the counterparty claiming from the DSOs.

It is to be noted that for all proceedings marked by an asterisk (*) in the above table, financial payments made by the Guarantors can be entirely passed through in the tariffs and should thus not have a negative financial impact on the Guarantors.

On an aggregate basis, the Guarantors were involved in 296 civil liability files with total claims of EUR 20,337,514 on 30 June 2013. However, the Guarantors have taken insurance cover for civil liability. The cover provides for a limitation of the Guarantors risk of EUR 7,500 per case, limiting the current total maximum civil liability for the seven Guarantors to EUR 2,220,000.

³⁴ Professional drop: termination by a supplier of a supply contract with a non-residential customer – if no new supplier has been contracted within 30 days the DSO has to suspend energy delivery.

³⁵ Residential drop: termination by a supplier of a supply contract with a residential customer – if no new supplier has been contracted within 60 days the DSO has to take over the energy delivery.

³⁶ Energy bills for supplies delivered to access points for which the last known end user has correctly terminated the supply contract and for which no new end user has been identified; these energy bills are presented to the owner of the premises or to the new tenant.

³⁷ Energy bills for access points for which the last known end user was supplied by the DSO according to the social public service obligations.

³⁸ Bills relating to the displacements of pipes and cables on the public domain imposed by a public authority proprietor of the domain, the cost of which has to be borne by the public authority that ordered the displacement works.

³⁹ The amount indicated constitutes the principal amount on 16 August 2012.

7 Significant changes in the financial or trading position of the Issuer and the Guarantors

7.1 Significant changes in the financial or trading position of the Issuer

Trend information

There has been no significant change in the financial or trading position of the Issuer since 30 June 2013 and no material adverse change in the Issuer's prospects since 31 December 2012.

Investments

Eandis introduced FIT, a company-wide efficiency and productivity enhancing action plan in the course of the first semester of 2013. FIT's focus is on cost efficiency in investments, staff and other operational costs. The basic principles of FIT are threefold: (i) reinforcing cost awareness amongst all employees; (ii) concrete measures of cost efficiency, more specifically on 12 items of operational excellence and (iii) clear objectives on grid investments, staff and operational costs in order to raise productivity and efficiency. Financial objectives have been identified for the period 2013-2016. The 2016 investment budget should be about 100 million EUR below the 2013 budget, and also the operational budget should be about 25 million EUR below the 2013 figure. Grid investments should – thanks to FIT – be reduced to a level of 'autofinancing + a maximum margin of 10 per cent'. As to staffing, management is convinced that the current level of staff is an acceptable level for carrying out the current tasks on behalf of the DSOs. Therefore, no further increases in staffing for operational departments and supporting departments alike are foreseen until 2016. On the contrary, overall staffing should slightly decrease until 1 January 2016 thanks to natural exits of employees. Finally, management has identified twelve points of attention in the general framework of operational excellence. Corrective measures, defined bottom-up, should directly or indirectly improve on the situation and thus contribute to a higher level of productivity and even more cost efficiency. It is evident that these FIT measures will have a positive impact on the grid tariffs.

The annual investment budget for the period 2014-2017 are as follows (all figures in the table are net investments, i.e. after deduction of the financial contribution by the end users):

<i>(million EUR)</i>	2014	2015	2016	2017
Electricity	380.3	341.4	331.2	331.2
Gas	169.3	160.0	144.5	142.9
TOTAL	549.6	501.5	475.7	474.1

As to smart metering, Eandis endorses a gradual introduction of smart meters and a gradual build-up towards a smart grid. This stance is, amongst others, based on the in-the-field experiences gained in the proof of concept and the pilot projects carried out by the Issuer. Eandis has already informed the Flemish government and the competent authorities of its views regarding the introduction of smart metering in the Flemish Region. The proposed gradual roll-out should – in Eandis' view – take the form of a segmented roll-out, with priority given to specific target groups amongst the end user clientele.

Note Issues and Schuldschein

In 2012 and 2013, the Issuer has issued

- on 10 July 2012, 3.95% fixed rate guaranteed notes through a private placement under this programme for an amount of EUR 55,000,000 and with maturity date 10 July 2032;

- on 6 September 2012, 3.95% fixed rate guaranteed notes through a private placement under this programme for an amount of EUR 55,000,000, with maturity date 10 July 2032 and fungible with the notes issued on 10 July 2012;
- on 17 September 2012, 3.95% fixed rate guaranteed notes through a private placement under this programme for an amount of EUR 25,500,000; with maturity date 10 July 2032 and fungible with the notes issued on 10 July 2012;
- on 21 September 2012, 3.50% fixed rate Schuldschein transaction through a private placement for an amount of EUR 50,000,000, with maturity date 21 September 2027;
- on 30 November 2012, 2.75% fixed rate guaranteed notes under this programme for an amount of EUR 500,000,000, with maturity date 30 November 2022;
- on 28 March 2013, 3.75% fixed rate guaranteed notes through a private placement under this programme for an amount of EUR 20,500,000, with maturity date 28 March 2033;
- on 28 March 2013, 3.50% fixed rate guaranteed notes through a private placement under this programme for an amount of EUR 54,500,000, with maturity date 28 March 2028; and
- on 24 June 2013, 3.50% fixed rate Namensschuldverschreibung through a private placement for an amount of EUR 50,000,000, with maturity date 24 June 2043.

These financing operations are carried out by the Issuer, on behalf of and for the account of the Guarantors so as to enable the latter to finance their investment and operational activities. The funds raised by the Issuer are passed through entirely to the Guarantors at the same conditions of maturity and interest rates.

7.2 Significant changes in the financial or trading position of the Guarantors

Trend information

There has been no significant change in the financial or trading position of the Guarantors since 31 December 2012 and no material adverse change in the Guarantors' prospects since 31 December 2012.

Adjustment

Note that the Guarantors have been confronted with the financial impact of the success of the renewable energy policy as carried out by the Flemish government. This financial impact is caused by two elements, both of which are directly related to public service obligations imposed on the DSOs: (1) the negative net result of the obligatory purchase by the DSOs of green power certificates and the realizable value on the market of these certificates and (2) the RUE Subsidies⁴⁰ granted to end users who invest in energy saving measures (double or triple glazing, roof insulation, high efficiency heating installations on gas etc). Therefore a proposal for an intermediate grid fee adjustment was introduced to the CREG. The CREG approved this proposal on 31 March 2011. Correspondingly, the adjusted distribution grid fee is in place since 1 April 2011. However, a request for annulment before the Court of Appeal of Brussels was filed by a limited number of consumers claiming that the CREG incorrectly

⁴⁰ As part of its public service obligations, a Flemish DSO pays out subsidies to promote the rational use of energy to end users (companies and households) who invest in energy saving measures ("**RUE Subsidies**"). These energy saving measures include home insulation (insulation for rooftops and walls, glazing a.o.), heat pumps et cetera. Since there is a legal basis for this activity, the costs for the RUE Subsidies can be recovered through the DSO's grid tariffs.

based its adjustment decisions on the Third Electricity Directive. On 26 June 2012 the Court confirmed in an interlocutory judgement, *i.e.* a submission for a preliminary ruling was made to the Constitutional Court, that these decisions were formally invalid but that the tariff increase was in principle justified. See also the item on page 94 sub “*Challenge of tariff increase for the pending regulatory period 2009-2012*” for a more detailed analysis of the facts and consequences of this judgement.

Investments

The Guarantors have not made any firm commitments on other future investments beside those in their short and long term investment plans to be approved by the Flemish regulator.

8 Trends in the market in which the Issuer and the Guarantors are active

In working out the strategic options for the company for 2013 and beyond, the Board of Directors and the management of the Issuer carefully consider all relevant policy measures taken by the Flemish government and the changing economic and technical realities in Eandis’ working context. Eandis is always careful, however, not to compromise the current reliability and the quality of the energy grid by implementing policy changes. It therefore considers every implementation option on its financial, technical and logistical feasibility and reassures itself that any strategic choice made should be socially acceptable to grid users. A second foundation for outlining the mid-term strategic options is evidently the company’s mission, vision, strategy and values, as approved by the Board of Directors. The strategy consists of five pillars: (1) compliance, (2) performance, (3) customer oriented, (4) organization oriented and (5) learn and grow. For each of these pillars, strategic actions have been outlined:

- Compliance:
 - the new corporate structure for the Eandis Economic Group, which was implemented as from April 2013, should enable a smooth decision making cycle, while at the same time retaining close ties with the 234 municipalities, being the shareholders of the DSOs;
 - risk management: Eandis is working on an integral risk management exercise, the results of which should be presented to the Board of Directors end 2013. This global analysis of the company risks will lay the foundation for the necessary corrective and/or preventive measures;
 - based on an evaluation of the current values, Eandis’ Ethical Charter is to be updated taking into account recent developments inside and outside the Issuer.
 - the regulatory context for distribution tarification will change as a consequence of the 6th general state reform for Belgium, in which the regionalisation of distribution tariffs is an element. Eandis will proactively discuss and collaborate with the Flemish energy regulator VREG (and possibly other partners as well) on all aspects of the future tariff mechanism to be implemented in the Flemish region;
 - the exit of the private partner Electrabel NV/SA out of the DSOs, as stipulated in Flemish legislation, is to be prepared, both from a financial and a managerial perspective.
- Performance:
 - Eandis’ global purchasing approach will be screened and put into a larger perspective. If efficiency gains can be detected, the necessary changes to the purchasing procedures will be implemented. The principle of ‘Total Cost of Ownership’ will be reinforced;

- FIT, Eandis' productivity and efficiency programme, aims at clear-cut financial and budgetary objectives (investments, operational costs, staffing) for the period 2013-2016. See above for more details on FIT;
- Customer oriented:
 - Eandis will continue to put a lot of effort into the best possible repair of roads and pavements after infrastructural works on, cables and pipes have taken place in the underground. Eandis' subsidiary SYNDUCTIS see above for more details will play a crucial role in this respect;
 - Energy Services for Local Authorities will be expanded; public lighting applications will be one of the key areas in this domain. Eandis will differentiate its offering to the local authorities.
- Organization oriented:
 - In order to cope with the risks of electricity supply interruptions, Eandis will update its emergency planning procedures, in collaboration with the public authorities and the transmission grid operator;
 - Smart cities and warmth grids have the potential to contribute to reach the general climate objectives, to reduce detrimental emissions and to introduce innovative technologies. Eandis will closely monitor the evolutions in this field and has already decided to play a prominent role in Flanders. Eandis will not act in isolation, but will actively search for partners in establishing projects;
 - Internal logistic procedures (kitting a.o.) and the current ICT architecture will be critically evaluated;
 - Data quality will remain one of the key topics in Eandis' everyday operational activities;
- Learn & grow:
 - The general development of "smart" (including smart metering, smart grids and smart users) will be supported by Eandis.
 - The further development of Atrias as the federal energy clearing house for the Belgian energy market, and SYNDUCTIS as the synergy subsidiary of Eandis bringing together several utilities, will be continued.

Decentralised Electricity Generation

Eandis has observed that the number of installations for decentralised electricity generation (solar modules, CHP, wind turbines and others) that are connected onto the distribution grid has continuously been increasing in the Flemish Region. This puts pressure on the traditional design of the electricity distribution grid. Since more and more end users inject electricity into the distribution grid themselves - rather than only be an off taker of electricity - distribution network design needs to reflect and cater for a bidirectional use of the distribution network. This trend has also impacted the volumes of electricity being transported over the DSOs' distribution grids. Eandis has noted that the spectacular growth rate in the number of photovoltaic installations has recently somewhat decreased, partly as a result of the limitation in the subsidy mechanisms allowed for by the Flemish government. Insufficient investments in electricity distribution grids, however, might lead to insufficient capacity on these grids, associated with higher risks for fall-outs, grid disturbances and a lower quality of electricity delivery.

Another important evolution is the development of offshore wind farms in the Belgian part of the North Sea. This will entail considerable investments, especially at the level of the transmission grid operated by Elia, but will most certainly also have a fall-out on the distribution grids operated by Eandis.

Eandis wants to be ready for these developments, both by planning and budgeting for the required grid modifications, as well as executing them. It has developed the following lines of action:

- Consult the competent authorities in order to analyse the use and impact of stimuli for optimal geographic location of large decentralised generation facilities with a view to minimising electricity grid expansion costs;
- Pro-active investments in the electricity grid where it is possible to estimate the future levels of decentralised generation;
- A step by step evolution of the electricity distribution grid towards a smart grid, in which investments in the mid voltage networks will be required in the short term to enable control of the energy flow direction. In the medium term, the realization of a smart grid will require investments to enable real time data collection. Expansive metering will allow for a better manipulation of energy flows, or a so-called “smart grid”. The planning, phasing and realization thereof is the subject of a study that will lead to an investment decision.

Eandis is currently assessing the investments needed in the years beyond 2014. Its long term investment plans will be updated accordingly. Investments by Elia, the electricity transport system operator, will have a direct impact on this assessment since such investments can directly trigger additional investments in the distribution grid.

Logically, and as explained in section 2.3 (*Regulated tariffs for the Distribution System Operation of Gas and Electricity*) on page 89 above, investments in the distribution grid will impact the distribution grid fee. Also, the increased costs will be distributed over smaller distributed volumes of energy since production of electricity is expected to happen in a much more decentralised way. Eandis will closely monitor the impact of these evolutions on the overall distribution grid fee and will analyse and propose options to reduce sudden increases in the grid fees. To this end, the introduction of injection tariffs coupled with the granting of financial stimuli for projects that only need marginal investments for connection to the distribution grid, could be one way of incentivising efficient investments in decentralised electricity generation aiming at bringing distribution grid fees down.

The introduction of an injection tariff, approved by the competent regulator and accepted by the Flemish government, could compensate for the additional investment costs linked to decentralised production. A flat rate grid contribution for decentralised production installations equal to or below 10 kilowatt was introduced as from 1 January 2013 (as further explained in section “*Introduction of injection tariffs*” on page 96 above); the exact amounts differ per individual DSO. The five major electricity suppliers in the Flemish market (*i.e.* Electrabel, Eni, Eneco, EDF-Luminus and Essent) are refusing to pass through this tariff element into the bills for the end consumers. The Flemish Minister for Energy has already publicly condemned the suppliers’ attitude. The VREG has been asked to mediate in this conflict.

Smart Meters, the Market Model and Data Management

Metering and the management of metering data is a crucial task in the organisation of liberalised energy markets. A more pronounced competition in the energy markets and the drive towards more energy efficiency in the European Union put more demands on the distribution grids’ metering systems. As a consequence of the increase in decentralised electricity production the network configuration changes drastically (from a waterfall principle to bidirectional distribution networks), but there is also an impact on the management of metering data. The above evolutions have put the introduction of smart meters in the limelight.

The VREG is investigating the deployment of smart meters with all network users. Such large scale introduction requires a thorough cost/benefit analysis and a clear view on the technical capabilities of these meters. Further research should be carried out and the results of pilot projects at home and abroad should be awaited. However, it is clear at this stage that the real time data that smart meters can provide, create a number of opportunities aimed at directing networks and at the evolution towards ‘smart users’ and ‘smart, decentralised producers’. In relation to electricity the Energy Efficiency Directive⁴¹ stipulates that Member States should have installed by the year 2020 smart meters with 80 per cent of end consumers for whom an extensive cost-benefit analysis has demonstrated clear benefits for the instalment of these electronic meters. If no such cost-benefit analysis is carried out, 80 per cent of all end consumers should be connected to the distribution grid with a smart meter by the year 2020. In relation to gas the Energy Efficiency Directive requires Member States to prepare a timetable for the implementation of smart meters if the roll-out of smart meters (potentially subject to a cost-benefit analysis) is assessed positively.

Eandis has opted for a gradual build-up for smart metering:

- As a first step, Eandis concluded a small-scale proof of concept with approx. 4.000 smart meters in Leest and Hombeek. The overall results of this project were positive and enabled Eandis to launch a large-scale pilot project in carefully selected test areas scattered around its operating area.
- As a second phase, a pilot project, involving the installation of approximately 40,000 smart meters (25,000 for electricity and 15,000 for gas) was launched in the second half of 2012. This project will allow Eandis’ technical teams to gain valuable experience with smart metering in different kinds of distribution areas with varying characteristics. It will also allow to assess the best way to organise the logistic chain and benefits to energy users and society in general . Its conclusions will also be input for the general cost/benefit analysis for the introduction of smart metering in the Flemish region;
- the assessment of the added value of a general roll-out to all network users of the meters (i.e. 2.5 million meters for electricity and 1.5 million meters for gas, representing a total investment of EUR 1.5 billion). Based on the experience gained in both the proof of concept and the preliminary results from the pilot project, Eandis has proposed a gradual and segmented roll-out for smart metering in Flanders, with priority to some well-defined groups of end users (prosumers, large consumers, public authorities);
- the evolution of European legislation and the transposition of this legislation into legislation on the federal and regional levels in Belgium is also taken into account.

Eandis has furthermore obtained a European patent for its invention to provide a more reliable distributor power line communication system (PLC). A worldwide patent application has been filed with the competent authorities. For several non-European countries, this patent has already been obtained. The said invention consists of a noise and distortion filtering system and is characterised in that it comprises PLC filters on the power lines which connect the power distribution network and the end user mains network, as well as on the power lines which connect the power distribution network to the power distribution substation.

Demand Side Management

The promotion of Demand Side Management (DSM) falls squarely within Eandis’ focus on rational use of energy. It comprises three key elements:

- ‘change the timing’ of electricity consumption, pushing consumers towards smart consumption;

⁴¹ Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC, *OJ L* 315, 14.11.2012, p. 1-56 (the "**Energy Efficiency Directive**").

- ‘reduce the quantities’ of energy consumption, emphasizing a more sensible energy consumption pattern; and
- creating and maintaining a focus on ‘alternative energy’ consumption.

Today Eandis already possesses competencies and instruments in the field of DSM. Eandis for example actively supports network users in applying energy saving measures. Further efforts in DSM will also contribute to the achievement of certain policy choices relating to climate change and environmental issues, limiting the European energy dependency, minimising the economic effects of rising energy prices, etc., all of which have been formulated in the 20-20-20 objectives for the development of decentralised electricity production. It is to be noted that in the past few years Eandis has achieved excellent results in realizing the objectives put forward by the Flemish Energy Agency (“*Vlaams Energieagentschap*” in Dutch), and is committed to even stronger efforts towards the future.

Eandis has been testing its marketing positioning relating to DSM with different types of customers, this with a view on further engaging itself into energy management services. In its relationship with the local authorities Eandis has chosen to sell its point by delivering a mix of information, advice, support, financing and suggestions as to a number of concrete energy saving measures. Eandis aims at expanding its know-how and experience and put these at the disposal of associated local authorities, so that these can embody best practices in the field of rational use of energy. Eandis has initiated the first fully fledged projects of “Energy Services for Local Authorities” in the course of 2010. Local authorities within Eandis' operating territory have positively reacted in large numbers to this offer.

Implementation of Public Service Obligations

As to its public service obligations, Eandis aims at maximizing efficiency while keeping the solidarity principle intact. The interests of the socially disadvantaged will remain a point of focus for Eandis. Over the years Eandis has gained positive experiences with the budget meter for electricity and is now aiming at similar experiences with the introduction of gas budget meters that are being installed since mid 2009.

Gas Network Expansion

The Flemish Energy Decree of 8 May 2009 stipulates that the cover rate of gas distribution networks is to increase significantly:

- by the year 2015 the cover rate in residential areas should amount to 95 per cent (with an exception for residential areas with a rural character); and
- by the year 2020 the cover rate should amount to 99 per cent (with an exception for residential areas with a rural character where a cover rate of 95 per cent will then apply).

Eandis estimates the costs of expanding the gas distribution network to meet the above legal obligations at EUR 700 million.

Another evolution in the gas market might be the compulsory switch from low to high calorific gas, following a decision by the Dutch gas supplier(s) to stop deliveries of low calorific gas to the Belgian market. If such a step is taken, this will involve major investments to adapt part of the Flemish gas distribution networks.

Safeguarding Socially Acceptable Tariffs

Eandis and the Guarantors aim at socially acceptable tariffs. In this respect the introduction of multi-annual tariffs for the DSOs has been a considerable step forward, since it creates more transparency and predictability for all market parties.

Financial Challenges

As set out above, the Flemish Intermunicipal Cooperation Decree stipulates that at the end of the year 2018 at the latest the mixed form of intermunicipal companies with a mission charged company statute should terminate to exist. In the absence of further legislative changes, the private partner of these mixed intermunicipal companies that have the form of an Intercommunale⁴² will be required to sell its stake to the participating public authorities, which currently have a stake of 79 per cent in the mixed intermunicipal companies. The exact amount of the Electrabel participation will be based on the balance sheet and will be the subject of talks between all parties involved.

Strengthening the Core Business

Based on the results of an extensive analysis the Eandis Board of Directors has chosen for the strategic option not to engage in other activities such as the water distribution or sewage systems. In the opinion of Eandis, synergies between its own activities and the aforementioned and other utilities can best be realised in the form of cooperation. The SYNDUCTIS initiative is an illustration of this approach.

Eandis prefers the continued reinforcement of an excellent service delivery to shareholders and network users alike through strengthening its own core business, *i.e.* the distribution of gas and electricity. Synergy in operations on the public domain is perfectly in line with Eandis' policy of minimising hindrances and maximizing cost efficiency.

Social Public Service Obligations

Eandis, being the operating company of the Guarantors, wishes to fully execute its social public service obligations in the most efficient way.

Green Power Certificates

Overview

In the Flemish Region a system of so-called green power certificates has been introduced in accordance with the Executive Order of the Flemish government dated 5 March 2004, which itself is based on the Flemish Electricity Decree of 17 July 2000. The three main pillars of the Flemish green power certificate system are (i) the possibility of producers of green energy to be granted green certificates⁴³, (ii) the obligation for suppliers of electricity to acquire each year a number of green power certificates and (iii) the guarantee system whereby a minimum price for the certificates is guaranteed to the producers of electricity for a predetermined period.

In this framework, the producers of green electricity have the responsibility to transmit the necessary production information to the VREG, which will rely on this information to issue green power certificates. The DSOs also have an important role in the guarantee system since this guarantee system has been implemented through the obligation for the DSOs to purchase green power certificates from certain producers of green electricity at a fixed price.

The system is such that the DSOs have an obligation to buy the green power certificates at a predetermined price from a party requesting so, and then offload these green power certificates in the market while booking the difference between the guaranteed price and the market price for the certificates as a public service obligation cost, to be charged through in the distribution grid fee. Given the fact that substantial investments in solar energy have been made, and that even greater investments are in preparation, this guaranteed price system materially contributes to the rising level of the electricity distribution tariffs and Eandis expects that

⁴² *ie* IMEA, Iveka, Intergem, Imewo and Iverlek

⁴³ One green power certificate is attributed for each 1,000 kWh of green electricity produced.

this contribution will remain material towards the future (albeit the Decree of 13 July 2012 may bring a halt to this permanent rise as further described in the next section *Changes after the Decree of 13 July 2012*).

By Flemish Decree of 8 May 2009, the fixed prices for green power certificates have been adjusted somewhat, with as consequence that the fixed price per certificate for the production from solar energy and the period for which such price was guaranteed were reduced. Given the huge success of solar panels on residential and non-residential buildings, the Flemish government decided in December 2010 to further reduce the financial support for renewable energy, so as to prevent excessive subsidies from being granted. The measures taken include lower guaranteed prices for green power certificates and again a shortened period over which these fixed prices are guaranteed.

However, up until now there was a structural oversupply of green power certificates in the market due to the success of solar energy in Flanders, resulting in substantially lower prices at which the DSO can sell these certificates, while the price at which the DSOs are obliged to purchase them was fixed. The difference between this guaranteed price and the market price for the certificates booked as a public service obligation cost is charged through in the distribution grid fee.

Changes after the Decree of 13 July 2012

A more fundamental change was brought by the Flemish Decree of 13 July 2012. This Decree has significantly altered the current framework by making the allocation of green certificates dependent on the type of renewable technology. The purpose of this drastic reform is to tackle the current over-subsidisation of certain technologies and the resulting significant decrease in the prices of green certificates raising concerns for developers and lenders of renewable energy projects. In addition, it was clear that the costs, especially through the charges included in the distribution tariffs, are higher than necessary, and not fairly distributed throughout society. The reform brought by this new Decree has several positive implications for the Guarantors as the intended changes should normally reduce the costs for the DSOs and reduce the impact of the inclusion of these costs in the distribution tariffs.

First, the price of the green energy certificates will be controlled by means of a banding system, *i.e.* the level of support will be fixed per type of technology that is used for the production of green energy. This fine-tuned banding mechanism should reduce the current oversupply of certificates and alleviate the pressure on the DSOs. Hence, by introducing an adequate banding mechanism the producers of green electricity will in principle no longer seek the minimum support of the DSOs and this will limit the rising level of the distribution tariffs. The banding system entered into force on 1 January 2013. However, for photovoltaic projects (*i.e.* installations generating electricity with solar panels, or PV projects), it will apply retroactively as from 1 January 2012. Green certificates in respect of PV projects with a start date between 1 January 2012 and 1 January 2013 and for which the benefit of the minimum purchase has been granted by the DSO, will be submitted by the latter to the VREG who in exchange will issue a number of new certificates reduced by application of the banding factor. The old certificates will be annulled by the VREG and the new certificates will have a limited quota value for the calculation of the total banding factor (only 75% compared to ordinary certificates).

Furthermore, the amount of the guaranteed minimum purchase price by the DSOs is maintained at its previous levels, except that for PV installations below 250 kW which are put into first use over the respective quarters of 2012, the minimum amount reduces more rapidly than before (as from 1 August 2012, the support is already reduced to EUR 90). It should be mentioned as well that to reduce the burden of the green energy certificate scheme on large industrial clients, supplies to such consumers will benefit from increased exemptions from the quota obligation. These exemptions, which should normally reduce the impact of the green certificate mechanism on the distribution tariffs as well provided that a majority of the relevant companies sign an energy efficiency covenant that is approved by the Flemish Government.

Besides the effect of the new banding mechanism, the DSOs will now have the obligation to temporarily bank green energy certificates in order to moderate the market price of these certificates.

In addition, green certificates, once issued, will have a validity period of 10 years (instead of the current 5 years). This gives the generation projects more flexibility in time to monetize their certificates and gives the DSOs who have purchased such certificates also more time to sell the certificates again in the market.

Compatibility of the Flemish Green Certificates Scheme with EU law

On 8 May 2013 the Advocate-General at the European Court of Justice issued an opinion regarding a prejudicial question which was raised by the Brussels Court of First Instance regarding the compatibility of the Flemish Green Certificates Scheme with EU law. This prejudicial question was raised during proceedings that were initiated by Essent which had been fined for not providing sufficient green energy certificates to the VREG. Although Essent in its own opinion submitted sufficient certificates, the VREG would only accept the certificates from producers in Flanders as the current scheme provides that only green energy that was produced within the Flemish Region's territory is illegible for green energy certificates. In turn Essent argued that the Flemish Green Energy Scheme is discriminatory and *inter alia* breaches the principle of free movement of goods as enshrined in the European Treaty.

According to the Advocate-General this is the case. He expressed the view that renewable energy schemes must respect the general EU principles of free movement of goods between member states, equal treatment and non-discrimination. Since the Flemish Green Certificates Scheme favours producers of renewable electricity established in the Flemish region the scheme restricts import and the freedom of goods. In addition, the Advocate-General noted that in this case environmental protection cannot be used as a justification given that renewable energy produced outside the region is equally capable of reducing overall greenhouse gas emissions.

The case will be heard by the European Court of Justice shortly. Although opinions of Advocates-General are not binding, their advice is often followed by the Court of Justice. If the Court follows the above reasoning, many support measures for green electricity in the European Union are at risk as this opens up the potential for support schemes to have to allow for participation by generators from other EU member states. In Flanders this may lead to an additional oversupply of submitted green certificates and a corresponding decrease in their price. However it should be stressed that for the Flemish DSO's no direct substantial negative financial impact is expected as the difference between this guaranteed price and the market price for the certificates is booked as a public service obligation and charged through in the distribution grid fee.

Project on Data Quality

In 2010 the Issuer launched a company-wide project aimed at enhancing overall quality and reliability of qualitative data that are the input for the RAB (Regulated Asset Base) and ABV (Asset Base Value) calculations. The project is now delivering major improvements on general data quality and operational procedures.

9 Membership of professional organisations

The Guarantors and Eandis are member of SYNERGRID vzw, which is the federation of electricity and gas grid operators in Belgium.

Eandis is member of the European Distribution System Operators for Smart Grids (EDSO for Smart Grids).

10 Statutory Auditors Charged with the Legal Control

The Issuer's statutory auditor is Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr Jan De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen), Moutstraat 54, 9000 Ghent (Belgium)

The public accountants of the Guarantors are:

Guarantor	Public accountant and address
GASELWEST	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
IMEA	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
IMEWO	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
INTERGEM	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
IVEKA	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
IVERLEK	Ernst & Young Bedrijfsrevisoren BCVBA, represented by Mr J. De Luyck (as from 4 September 2013, represented by Mr. Paul Eelen) Moutstraat 54, 9000 Ghent (Belgium)
SIBELGAS	Klynveld Peat Marwick Goerdeler KPMG Bedrijfsrevisoren B.C.V.B.A., represented by Mr E. Clinck Prins Boudewijnlaan 24d, 2550 Kontich (Belgium)

The statutory auditor for De Stroomlijn, consolidated Subsidiary of Eandis, is:

Figurad Bedrijfsrevisoren (formerly Van Wemmel-Kaekebeke Bedrijfsrevisoren)
burgerlijke vennootschap onder de vorm van een besloten vennootschap met beperkte aansprakelijkheid
Kortrijksesteenweg 1126, 9051 Sint-Denijs-Westrem (Ghent, Belgium)

The statutory auditor for Indexis, consolidated Subsidiary of Eandis, is:

Alain SERCKX sprl,
Rue Ernest Salu 91

1020 Laken -Brussels (Belgium)

The statutory auditor for Atrias, consolidated Subsidiary of Eandis, is:

Alain SERCKX sprl,

Rue Ernest Salu 91

1020 Laken -Brussels (Belgium)

The statutory auditor for SYNDUCTIS, subsidiary of Eandis, is:

Figurad Bedrijfsrevisoren (formerly Van Wemmel-Kaekebeke Bedrijfsrevisoren)

burgerlijke vennootschap onder de vorm van een besloten vennootschap met beperkte aansprakelijkheid

Kortrijksesteenweg 1126, 9051 Sint-Denijs-Westrem (Ghent, Belgium)

Each of the statutory auditors of the Issuer, the Guarantors and the Eandis subsidiaries is a member of the Belgian “*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*”.

TAXATION

The statements herein regarding taxation are based on the laws in force in the European Union and in Belgium as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Instruments and does not purport to deal with the tax consequences applicable to all categories of Investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Instruments are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Instruments.

EU Savings Directive

Under European Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income (the EU Savings Directive), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent located within its jurisdiction to, or for the benefit of, an individual or a residual entity resident in that other 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 adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Belgian Taxation

Belgian Withholding Tax

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 25 per cent. Belgian withholding tax on the gross amount of the interest. In this regard, “interest” means the periodic interest income, any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date) and, in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible Investors (the “**Eligible Investors**”, see hereinafter) in an exempt securities account (an “**X Account**”) that has been opened with a financial institution that is a direct or indirect participant (a “**Participant**”) in the X/N Clearing System operated by the National Bank of Belgium (the “**X/N System**” and the “**NBB**”). Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the X/N System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the X/N system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (*“arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier”*/*“koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing”*) which include, inter alia:

- (a) Belgian corporations subject to Belgian corporate income tax;
- (b) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Belgian Income Tax Code of 1992 (*“code des impôts sur les revenus 1992”*/*“wetboek van inkomstenbelastingen 1992”*);
- (c) state regulated institutions (*“institutions parastatales”* / *“parastatalen”*) for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the Royal Decree implementing the Belgian Income Tax Code 1992 (*“arrêté royal d’exécution du code des impôts sur les revenus 1992”*/*“koninklijk besluit tot uitvoering van het wetboek inkomsten belastingen 1992”*);
- (d) non-resident Investors provided for in article 105, 5° of the same decree;
- (e) investment funds, recognised in the framework of pension savings, provided for in article 115 of the same decree;
- (f) tax payers provided for in article 227, 2° of the Belgian Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
- (g) the Belgian State in respect of investments which are exempt from withholding tax in accordance with article 265 of the Belgian Income Tax Code 1992;
- (h) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and
- (i) Belgian resident corporations, not provided for under (a), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident Investors who are individuals or non-profit making organisations, other than those mentioned under (b) and (c) above.

Participants to the X/N System must keep the Notes 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 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

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

- A transfer from an N Account to an X 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.
- A transfer from an X 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.

- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

Transfers of Notes between two N-accounts give 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, and to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the same interest amount.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the X/N System as to the eligible status

An Exempt Account may be opened with a Participant by an intermediary (an “**Intermediary**”) in respect of Notes that the Intermediary holds for the account of its clients (the “**Beneficial Owners**”), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the X/N Clearing System, provided that Euroclear or Clearstream only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

In accordance with the X/N System, a Noteholder who is withdrawing Notes from an Exempt Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the X/N System. As a condition of acceptance of the Notes into the X/N System, the Noteholders waive the right to claim such indemnity.

Belgian tax on income and capital gains

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 Notes as a private investment, payments of interest on the Notes will in principle be subject to a 25 per cent. withholding tax. The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return.

Belgian residents may nevertheless opt to declare interest in respect of the Notes in their personal income tax return. Where the beneficiary opts to declare the interest, these payments will in principle be taxed at a flat rate of 25 per cent. (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payments are declared, the withholding tax may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one's private estate or unless the capital gains qualify as interest (as defined in the section “Belgian Withholding Tax”). Capital losses realised upon the disposal of the Notes held as non-professionnal investment are in principle not tax deductible.

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

Belgian resident companies

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax (“*impôt des sociétés*” / “*vennootschapsbelasting*”), as well as capital gains realised upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. Capital losses realised upon the sale of the Notes are in principle tax deductible.

Other tax rules apply to investment companies within the meaning of Article 125bis of the Belgian Income Tax Code.

Belgian legal entities

Belgian legal entities subject to the Belgian legal entities tax (“*rechtspersonenbelasting*” / “*impôt des personnes morales*”) which do not qualify as Eligible Investors (as defined in the section “Belgian Withholding Tax”) are subject to a withholding tax of 25 per cent. on interest payments. The withholding tax constitutes the final taxation.

Belgian legal entities which qualify as Eligible Investors (as defined in the section “Belgian Withholding Tax”) and which consequently have received gross interest income are required to declare and pay the 25 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined in the section “Belgian Withholding Tax”). Capital losses are in principle not tax deductible.

Organisations for Financing Pensions

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision (“*Loi du 27 octobre 2006 relative au contrôle des institutions de retraite professionnelle*”/“*Wet van 27 oktober 2006 betreffende het toezicht op de instellingen voor bedrijfspensioenvoorzieningen*”), are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

Belgian non-residents

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

Tax on stock exchange transactions and tax on repurchase transactions

A stock exchange tax (“*taxe sur les opérations de bourse*” / “*taks op de beursverrichtingen*”) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary market sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A tax on repurchase transactions (“*taxe sur les reports*”/“*taks op de reportverrichtingen*”) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 650 per transaction and per party). However, none of the taxes referred to above will be payable by exempt persons acting for their own account, including Investors who are Belgian non-residents provided they deliver an affidavit to the financial

intermediary in Belgium confirming their non-resident status and certain Belgian institutional Investors, as defined in Article 126/1,2° of the Code of various duties and taxes (Code des droits et taxes divers / Wetboek diverse rechten en taksen) for the tax on stock exchange transactions and Article 139, second paragraph, of the same code for the tax on repurchase transactions.

European Directive on taxation of savings income in the form of interest payments

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 (hereinafter “**Disclosure of Information Method**”), except that Austria and Luxembourg may instead impose a withholding system (hereinafter “**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 Notes 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 the 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 excessive amount will be reimbursed, provided it reaches a minimum of Euro 2.5.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), non-U.S. financial institutions that enter into agreements with the IRS ("**IRS Agreements**") or become subject to provisions of local law intended to implement an intergovernmental agreement ("**IGA legislation**") entered into pursuant to FATCA, may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) July 1, 2014 in respect of certain US source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of "foreign passthru payments" and then only on "obligations" that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified on or after (a) July 1, 2014, and (b) if later, in the case of an obligation that pays only foreign passthru payments, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register.

Whilst the Notes are held within the X/N Clearing System, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer or any paying agent, given that each of the entities in the payment chain between the Issuer and the participants in the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes.

SUBSCRIPTION AND SALE

Summary of the Programme Agreement

Subject to the terms and on the conditions contained in the programme agreement dated on or about 17 September 2013 (the “**Programme Agreement**”) between the Issuer, the Guarantors and the Dealers, Notes may be offered by the Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

As set out in the Programme Agreement, the Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.

The Issuer will pay each Relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Co-Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the applicable Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes 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. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes within the United States, except as permitted by the Dealer Agreement. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Relevant Member State, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (1) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (2) at any time to any legal entity which is a qualified Investor as defined in the Prospectus Directive;
- (3) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified Investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (4) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (1) to (4) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an Investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for

the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the UK Financial Services and Markets Act 2000 by the Issuer;

- (ii) 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 any Notes in circumstances in which Section 21(1) of the UK Financial Services and Markets Act 2000 does not apply to the Issuer or the Guarantors; and
- (iii) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

FORM OF FINAL TERMS

FORM OF FINAL TERMS 1 - FOR USE IN CONNECTION WITH ISSUES OF SECURITIES WITH A DENOMINATION OF LESS THAN €100,000 TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET AND/OR OFFERED TO THE PUBLIC ON A NON-EXEMPT BASIS IN THE EEA

Final Terms dated [•]

EANDIS CVBA

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed on a several but not joint basis by Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka, Iverlek and
Sibelgas CVBA

under the **EUR 5,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 17 September 2013 [and the Prospectus Supplement dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**), which includes the amendments made by the Directive 2010/73/EU (the “**2010 Amending Directive**”), to the extent such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor(s) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus [and the Prospectus Supplement] [is] [are] available for viewing [at www.beurs.be/www.bourse.be][*website*] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Agency Agreement dated [*original date*] and set forth in the Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), which includes the amendments made by the Directive 2010/73/EU (the “**2010 Amending Directive**”), to the extent such amendments have been implemented in a relevant Member State and must be read in conjunction with the Prospectus dated 17 September 2013 [and the Prospectus Supplement dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer, the Guarantor(s) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*original date*] and [•] and the Prospectus Supplements dated [•] and [•]]. The Prospectuses [and the Prospectus Supplements] are available for viewing [at

www.beurs.be/www.bourse.be][website] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

1. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [] on []/the Issue Date] [Not Applicable]
2. Specified Currency or Currencies: [●]
3. Aggregate Nominal Amount: [●]
 - (i) Series: [●]
 - (ii) Tranche: [●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5. (i) Specified Denominations: [●]
- (ii) Calculation Amount: [●]
6. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify*/Issue Date/Not Applicable: the Notes will not bear interest]
7. Maturity Date: [●]
8. Interest Basis: [[●] per cent. Fixed Rate]
[[*specify particular reference rate*] +/- [●] per cent. Floating Rate]
[Zero Coupon]
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
10. Change of Interest Basis: [●]/[Not applicable]
11. Put/Call Options: [Call Option]
[Put Option]
[Not Applicable]
[[*further particulars specified below*)]
12. Date of Board approval for issuance of Notes and Guarantees: [Date/Not applicable]
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantees*)
13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

- (i) Rate(s) of Interest: [●] per cent. per annum
 - (ii) Interest Payment Date(s): [●] payable on each Interest Payment Date in each year
 - (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
 - (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
 - (v) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
 - (vi) Interest Determination Dates: [[●] in each year][Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [●]
 - (ii) Specified Interest Payment Dates: [●]
 - (iii) First Interest Payment Date [●]
 - (iv) Interest Period Date: [●]
(Not applicable unless different from Interest Payment Date)
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
 - (vi) Business Centre(s): [●]
 - (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): [●]
 - (ix) Screen Rate Determination:
 - Reference Rate: [●] month [LIBOR/EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - (x) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - [ISDA Definitions: [2000/2006]]

- | | | |
|--------|---------------------------|---|
| (xi) | Margin(s): | [+/-][●] per cent. per annum |
| (xii) | Minimum Rate of Interest: | [[●] per cent. per annum] /[Not applicable] |
| (xiii) | Maximum Rate of Interest: | [[●] per cent. per annum] /[Not applicable] |
| (xiv) | Day Count Fraction: | [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)]
[Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro
Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA] |
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- | | | |
|-------|---------------------|---|
| (i) | Amortisation Yield: | [●] per cent. per annum |
| (ii) | Reference price | [●] |
| (iii) | Day count fraction | [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)]
[Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro
Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA] |

PROVISIONS RELATING TO REDEMPTION

17. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- | | | |
|-------|---|----------------------------|
| (i) | Optional Redemption Date(s): | [●] |
| (ii) | Optional Redemption Amount(s) of each Note: | [●] per Calculation Amount |
| (iii) | If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [●] per Calculation Amount |
| | (b) Maximum Redemption Amount: | [●] per Calculation Amount |
| (iv) | Notice period: | [●] |
18. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- | | | |
|-------|---|----------------------------|
| (i) | Optional Redemption Date(s): | [●] |
| (ii) | Optional Redemption Amount(s) of each Note: | [●] per Calculation Amount |
| (iii) | Notice period: | [●] |
19. Final Redemption Amount of each Note [●] per Calculation Amount
- | | | |
|-----|---|-----|
| (i) | Party responsible for calculating the Final Redemption Amount (if not | [●] |
|-----|---|-----|

the Paying Agent):

- (ii) Determination Date(s): [●]
 - (iii) Payment Date: [●]
 - (iv) Minimum Final Redemption Amount: [●] per Calculation Amount
 - (v) Maximum Final Redemption Amount: [●] per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable][*give details.*]
22. Form of the Notes Dematerialised form.

RESPONSIBILITY

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantors confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Eandis CVBA:

By:
Duly authorised

Signed on behalf of Gaselwest CVBA

By:
Duly authorised

Signed on behalf of IMEA

By:
Duly authorised

Signed on behalf of Imewo

By:
Duly authorised

Signed on behalf of Intergem

By:
Duly authorised

Signed on behalf of Iveka

By:
Duly authorised

Signed on behalf of Iverlek

By:
Duly authorised

Signed on behalf of Sibelgas CVBA

By:
Duly authorised

PART B – OTHER INFORMATION

1 ADMISSION TO TRADING

- (i) Admission to trading.: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading [●]

2 RATINGS

The Notes to be issued [are not/have been/are expected to be] specifically rated [by [_____]] [The following ratings reflect ratings assigned to Notes of this type under the Programme generally [●].

Name of rating agency: [●]

[●] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). As defined by [●] a [●] rating means that the obligations of the Issuer under the [Programme][Notes] are [●]. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in ["Subscription and Sale"] ["Risk Factors"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.][So far as the Issuer is aware, the following persons have an interest material to the issue/offer [●]]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: [Not Applicable][●]
- [(ii) Estimated net proceeds: [Not Applicable][●]
- [(iii) Estimated total expenses: [Not Applicable][●]

5 [Fixed Rate Notes only – GROSS ACTUARIAL YIELD

Indication of yield: The gross actuarial yield of this issue of Fixed Rate Notes is [●].

The gross actuarial yield is calculated at the Issue Date on the basis of the Issue Price, using the formula below. It is not an indication of future yield.

$$P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

- "P" is the Issue Price of the Notes;
- "C" is the annualised interest amount;

"A" is the principal amount of the Notes, due on redemption;

"n" is the time to maturity in years; and

"r" is the annualised yield.

6 *[Floating Rate Notes only - HISTORIC INTEREST RATES]*

Details of historic [LIBOR/EURIBOR] rates can be obtained from Reuters.]

7 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than the X/N System of the National Bank of Belgium and Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/[●]]

Delivery: Delivery [against/free of] payment

Names and addresses of additional [●]

Paying Agent(s):

8 DISTRIBUTION

If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable] [●]

Date of [Subscription] Agreement: [Not Applicable] [●]

Stabilising Manager(s) (if any): [Not Applicable] [●]

If non-syndicated, name and address of Dealer: [Not Applicable] [●]

Total commission and concession: [●] per cent. of the Aggregate Nominal Amount

Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and the Authorised Offerors] other than pursuant to Article 3(2) of the Prospectus Directive in [[Not Applicable] [●] (**Public Offer Jurisdictions**) during the period from [●] until [●] (**Offer Period**). See further Paragraph [●] below.]

General consent [Yes]/[No]

U.S. Selling Restrictions: Regulation S compliance Category 1

Additional Selling Restrictions [●]

9 TERMS AND CONDITIONS OF THE OFFER

Offer Price: [Issue Price] [●]

Conditions to which the offer is [Not Applicable] [●]

subject:

Time period during which the offer will be open and description of the application process: [Not Applicable] [●]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable] [●]

Details of the minimum and/or maximum amount of application: [Not Applicable] [●]

Details of the method and time limits for paying up and delivering the Notes: [Not Applicable] [●]

Manner in and date on which results of the offer are to be made public: [Not Applicable] [●]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable] [●]

Categories of potential Investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable] [●]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable] [●]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable] [●]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. The Initial Authorised Offerors identified in paragraph [] above [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Public Offer and who are identified on the website of [] as an Authorised Offeror] (together, the "**Authorised Offerors**").

ANNEX- ISSUE SPECIFIC SUMMARY

(Issuer to annex issue specific summary to the final terms)

**FORM OF A FINAL TERMS 2 – FOR USE IN CONNECTION WITH ISSUES OF
SECURITIES WITH A DENOMINATION OF AT LEAST €100,000 TO BE ADMITTED TO
TRADING ON AN EEA REGULATED MARKET**

Final Terms dated [●]

EANDIS CVBA

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed on a several but not joint basis by Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka, Iverlek and
Sibelgas CVBA

under the **EUR 5,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 17 September 2013 [and the Prospectus Supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**), which includes the amendments made by the Directive 2010/73/EU (the “**2010 Amending Directive**”), to the extent such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor(s) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Prospectus Supplement] [is] [are] available for viewing [at www.beurs.be/www.bourse.be][*website*] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Agency Agreement dated [*original date*] and set forth in the Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”), which includes the amendments made by the Directive 2010/73/EU (the “**2010 Amending Directive**”), to the extent such amendments have been implemented in a relevant Member State and must be read in conjunction with the Prospectus dated 17 September 2013 [and the Prospectus Supplement dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer, the Guarantor(s) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*original date*] and [●] and the Prospectus Supplements dated [●] and [●]]. The Prospectuses [and the Prospectus Supplements] are available for viewing [at www.beurs.be/www.bourse.be][*website*] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].]

1. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [] on []/the Issue Date] [Not Applicable]
2. Specified Currency or Currencies: [●]
3. Aggregate Nominal Amount: [●]
 - (i) Series: [●]
 - (ii) Tranche: [●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*if applicable*)]
5. (i) Specified Denominations: [●]
- (ii) Calculation Amount: [●]
6. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify*/Issue Date/Not Applicable: the Notes will not bear interest]
7. Maturity Date: [●]
8. Interest Basis: [[●] per cent. Fixed Rate]
 [[*specify particular reference rate*] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
 (further particulars specified below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
10. Change of Interest or Redemption/Payment Basis: [●]/[Not applicable]
11. Put/Call Options: [Call Option]
 [Put Option]
 [Not Applicable]
 [(*further particulars specified below*)]
12. Date of Board approval for issuance of Notes and Guarantees: [Date/Not applicable]
 (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantees*)
13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

- (i) Rate(s) of Interest: [●] per cent. per annum
 - (ii) Interest Payment Date(s): [●] payable on each Interest Payment Date in each year
 - (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
 - (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
 - (v) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
 - (vi) Interest Determination Dates: [[●] in each year][Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [●]
 - (ii) Specified Interest Payment Dates: [●]
 - (iii) First Interest Payment Date [●]
 - (iv) Interest Period Date: [●]
(Not applicable unless different from Interest Payment Date)
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
 - (vi) Business Centre(s): [●]
 - (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
 - (ix) Screen Rate Determination:
 - Reference Rate: [●] month [LIBOR/EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - (x) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - [ISDA Definitions: [2000/2006]]

- (xi) Margin(s): [+/ -] [●] per cent. per annum
 - (xii) Minimum Rate of Interest: [[●] per cent. per annum] / [Not applicable]
 - (xiii) Maximum Rate of Interest: [[●] per cent. per annum] / [Not applicable]
 - (xiv) Day Count Fraction: [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)]
[Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro
Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [●] per cent. per annum
 - (ii) Reference price: [●]
 - (iii) Day count fraction [Actual/Actual] [Actual/Actual-ISDA][Actual/365 (Fixed)]
[Actual/360] [30/360] [360/360] [Note Basis] [30E/360] [Euro
Note Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]

PROVISIONS RELATING TO REDEMPTION

17. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note:: [●] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period: [●]
18. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
 - (iii) Notice period: [●]
19. Final Redemption Amount of each Note [●] per Calculation Amount
- (i) Party responsible for calculating the Final Redemption Amount (if not

the Paying Agent):

- (ii) Determination Date(s): [●]
- (iii) Payment Date: [●]
- (iv) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount
- 20. Early Redemption Amount payable on redemption for taxation reasons or on event of default [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 21. Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable] [●]
- 22. Form of the Notes Dematerialised form.

RESPONSIBILITY

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantors confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Eandis CVBA

By:
Duly authorised

Signed on behalf of Gaselwest CVBA

By:
Duly authorised

Signed on behalf of IMEA

By:
Duly authorised

Signed on behalf of Imewo

By:
Duly authorised

Signed on behalf of Intergem

By:
Duly authorised

Signed on behalf of Iveka

By:
Duly authorised

Signed on behalf of Iverlek

By:
Duly authorised

Signed on behalf of Sibelgas CVBA

By:
Duly authorised

PART B – OTHER INFORMATION

1 ADMISSION TO TRADING

- (i) Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading [●]

2 RATINGS

The Notes to be issued [are not/have been/are expected to be] specifically rated [by [_____]] [The following ratings reflect ratings assigned to Notes of this type under the Programme generally [●].

Name of rating agency: [●]

[●] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). As defined by [●] a [●] rating means that the obligations of the Issuer under the [Programme][Notes] are [●]. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in ["Subscription and Sale"] ["Risk Factors"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.][So far as the Issuer is aware, the following persons have an interest material to the issue/offer [●]]

4 [Fixed Rate Notes only – YIELD]

- Indication of yield: The gross actuarial yield of this issue of Fixed Rate Notes is [●].
- The gross actuarial yield is calculated at the Issue Date on the basis of the Issue Price, using the formula below. It is not an indication of future yield.

$$P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

- "P" is the Issue Price of the Notes;
"C" is the annualised interest amount;
"A" is the principal amount of the Notes, due on redemption;
"n" is the time to maturity in years; and
"r" is the annualised yield.

5 [Floating Rate Notes only - HISTORIC INTEREST RATES]

Details of historic [LIBOR/EURIBOR] rates can be obtained from Reuters.]

6 OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
Any clearing system(s) other than the X/N System of the National Bank of Belgium and Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable] [●]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s):	[●]

7 DISTRIBUTION

If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable] [●]
Date of [Subscription] Agreement:	[Not Applicable] [●]
Stabilising Manager(s) (if any):	[Not Applicable] [●]
If non-syndicated, name and address of Dealer:	[Not Applicable] [●]
US Selling Restrictions	Regulation S compliance Category 1
Additional Selling Restrictions	[●]

GENERAL INFORMATION

- (1) Application has been made to Euronext Brussels for the Notes issued under the Programme to be admitted to the official list of Euronext Brussels and to be admitted to trading on Euronext Brussels' regulated market. However, unlisted Notes or Notes listed on another market may be issued pursuant to the Programme.
- (2) The approval by the FSMA does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer or any of the Guarantors.
- (3) Each of the Issuer and the Guarantors have obtained all necessary consents, approvals and authorisations in Belgium in connection with the establishment and update of the Programme and the Guarantees. The establishment and update of the Programme was authorised by the board of directors of the Issuer on 10 August 2011 and the 2013 update of the Programme was authorised by the board of directors of the Issuer on 28 August 2013. The giving of the Guarantee by the Guarantors was authorised by the board of directors of Gaselwest on 24 April 2009, 30 October 2009 and 30 September 2011, by the board of directors of IMEA on 21 April 2009, 27 October 2009 and 27 September 2011, by the board of directors of Imewo on 24 April 2009, 6 November 2009 and 30 September 2011, by the board of directors of Intergem on 23 April 2009, 29 October 2009 and 29 September 2011, by the board of directors of Iveka on 21 April 2009, 27 October 2009 and 27 September 2011, by the board of directors of Iverlek on 20 April 2009, 26 October 2009 and 26 September 2011 and by the board of directors of Sibelgas on 27 October 2009, 2 February 2010 and 27 September 2011.
- (4) There has been no significant change in the financial or trading position of the Issuer since 30 June 2013 and no material adverse change in the Issuer's prospects since 31 December 2012. There has been no significant change in the financial or trading position of the Guarantors since 31 December 2012 and no material adverse change in the Guarantors' prospects since 31 December 2012.
- (5) Other than as disclosed in section 6 (*Legal and arbitration proceedings*) of " *Description of the Issuer and the Guarantors*" on pages 134 to 136, neither the Issuer, nor the Guarantors have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantors are aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Guarantors.
- (6) Notes have been accepted for clearance through the X/N Clearing System, Euroclear and Clearstream, Luxembourg. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms.

The address of the X/N Clearing System is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (7) There are no material contracts entered into other than in the ordinary course of the Issuer's or Guarantors' business, which could result in any member of the Eandis Economic Group being under an obligation or entitlement that is material to the Issuer's or Guarantors' ability to meet their obligations to noteholders in respect of the Notes being issued.
- (8) Where information in this Base 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.

- (9) The issue price and the amount of the relevant Notes will be determined, before filing of the applicable Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (10) For so long as Notes may be issued pursuant to this Base Prospectus, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer (Brusselsesteenweg 199, 9090 Melle, Belgium):
 - (i) the Agency Agreement;
 - (ii) the Programme Agreement;
 - (iii) the Articles of Association (*statuten*) of the Issuer and of the Guarantors, in Dutch;
 - (iv) the Guarantees;
 - (v) the published annual report and audited consolidated accounts of the Issuer for the year ended on 31 December 2012 and for the year ended on 31 December 2011 and the published audited consolidated accounts of the Eandis Economic Group for the year ended on 31 December 2012 and for the year ended on 31 December 2011;
 - (vi) the condensed consolidated financial statements of the Issuer, auditor's review report and explanatory notes of the Issuer for the six-month period ended 30 June 2013;
 - (vii) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity);
 - (viii) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus; and
 - (ix) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.

This Base Prospectus and the Final Terms for Notes that are listed on the Market and admitted to trading on the Market will be published on the website of Euronext Brussels (www.beurs.be/www.bourse.be).

- (11) Copies of the documents incorporated by reference in the Base Prospectus may be obtained (without charge) from the registered offices of the Issuer, the website of the Issuer (http://www.eandis.be/eandis/ir_rating_and_bonds.htmbe) and the website of Euronext Brussels (www.beurs.be/www.bourse.be).

ANNEX

This annex includes:

- the consolidated financial statements (prepared under IFRS) and the audit report of the Eandis Economic Group (including the Issuer, its Subsidiaries and the Guarantors) for the financial year 2011; and
- the consolidated financial statements (prepared under IFRS) and the audit report of the Eandis Economic Group (including the Issuer, its Subsidiaries and the Guarantors) for the financial year 2012.

The Issuer confirms that it has obtained the approval from its auditors to include as annex in this Base Prospectus the auditor's reports for the financial years ended 31 December 2012 and 31 December 2011 of the Eandis Economic Group.

Economic group EANDIS

Consolidated IFRS Financial Statements

for the year ended 31 December 2011

Consolidated income statement

(in thousands of EUR)	Notes	2011	2010
Operating revenue		2.837.989	2.456.362
Revenue	3	2.127.459	1.818.259
Other operating income	3	44.986	38.562
Own construction, capitalized	3	665.544	599.541
Operating expenses		-2.339.351	-2.000.179
Cost of trade goods	4	-861.511	-695.907
Cost for services and other consumables	5	-671.469	-636.682
Employee benefit expenses	6	-439.531	-387.730
Depreciation, amortization, impairments and changes in provisions	7	-283.033	-288.026
Other operational expenses	8	-61.800	-47.591
Regulated transfers	9	-22.007	55.757
Result from operations		498.638	456.183
Finance income	10	2.462	1.807
Finance costs	10	-206.462	-157.480
Profit before tax		294.638	300.510
Income tax expenses	11	1.563	-10.779
Profit for the period		296.201	289.731

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2011	2010
Actuarial gain (loss) on post-employment employee benefits	23	-52.570	5.666
Other comprehensive income		-52.570	5.666
Profit for the period		296.201	289.731
Total comprehensive income for the period		243.631	295.397

Consolidated balance sheet

(In thousands of EUR)	Notes	2011	2010
Non-current assets		7.238.756	6.953.550
Intangible assets	12	42.726	21.616
Property, plant and equipment	13	7.191.420	6.925.958
Investments in an associate	14	5	0
Other investments	15	1.102	1.092
Long term receivables	16	3.503	4.884
Current assets		948.936	845.614
Inventories	17	32.166	28.090
Trade and other receivables	18	899.128	797.607
Current tax assets	19	11.678	2.748
Cash and cash equivalents	20	5.964	17.169
TOTAL ASSETS		8.187.692	7.799.164
EQUITY	21	2.815.724	3.194.621
Total equity attributable to owners of the parent		2.814.645	3.193.550
Capital		1.924.415	2.318.370
Reserves		446.915	390.891
Other components of equity		-158.475	-105.905
Retained earnings		601.790	590.194
Non-controlling interest		1.079	1.071
LIABILITIES		5.371.968	4.604.543
Non-current liabilities		4.516.173	3.754.113
Interest-bearing loans and borrowings	22	3.827.775	3.158.156
Employee benefit liability	23	498.166	462.031
Derivative financial instruments	24	142.443	85.195
Provisions	25	45.473	46.413
Other non-current liabilities		2.316	2.318
Current liabilities		855.795	850.430
Interest bearing loans and borrowings	22	407.593	471.020
Trade payables and other current liabilities	26	443.786	377.202
Current tax liabilities	27	4.416	2.208
TOTAL EQUITY AND LIABILITIES		8.187.692	7.799.164

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2011	2010
Profit for the period		296.201	289.731
Amortization of intangible assets	7, 12	12.419	5.714
Depreciation on property, plant and equipment	7, 13	273.324	268.476
Change in provisions (Reversal -; Recognition +)	7, 25	-940	-2.406
Impairment current assets (Reversal -; Recognition +)	7	-1.770	16.243
Gains or losses on realization receivables	3, 8	12.545	6.313
Net finance costs	10	146.753	127.773
Change in fair value of derivative financial instruments	10	57.248	27.900
Gains or losses on sale of property, plant and equipment	3, 8	45.756	37.313
Income tax expense	11	-1.563	10.779
Operating cash flow before change in working capital and provisions for employee benefits		839.973	787.836
Change in inventories	17	-4.076	-1.358
Change in trade and other receivables		-110.716	-150.993
Change in trade payables and other current liabilities		59.390	-12.403
Change in employee benefits	23	-16.435	-22.091
Net operating cash flow		-71.837	-186.845
Interest paid		-140.209	-121.763
Interest received		398	426
Financial discount on debts	10	1.865	1.398
Income tax paid		-6.956	-12.492
Net cash flow from operating activities		623.234	468.560
Proceeds from sale of property, plant and equipment		517	2.817
Purchase of intangible assets	12	-33.529	-22.383
Purchase of property, plant and equipment	13	-585.060	-547.129
Net investments	14, 15	-15	-58
Net investments in long term receivables		-160	-2
Net cash flow used in investing activities		-618.247	-566.755
Proceeds from issue of shares	21	15.385	0
Repayment of share capital	21	-409.332	0
Repayment of borrowings	22	-91.990	-88.415
Proceeds from borrowings	22	325.000	150.000
Proceeds from bonds	22	497.570	320.044
Change in current liabilities	22	-124.404	-50.735
Transfer of guarantee for allotments		0	-5
Dividends paid	21	-228.581	-236.588
Dividends received	10, 15	160	0
Net cash flow from/used in financing activities		-16.192	94.301
Net decrease in cash and cash equivalents		-11.205	-3.894
Cash and cash equivalents at the beginning of the period		17.169	21.063
Cash and cash equivalents at the end of the period		5.964	17.169

Consolidated statement of changes in equity

(In thousands of EUR)	Share capital	Reserves	Other comprehensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2010	2.318.370	340.005	-111.571	587.937	3.134.741	1.071	3.135.812
Total comprehensive income for the period	0	0	5.666	289.731	295.397	0	295.397
Addition/decrease reserves	0	50.886	0	-50.886	0	0	0
Dividends paid	0	0	0	-236.588	-236.588	0	-236.588
Balance at 31 December 2010	2.318.370	390.891	-105.905	590.194	3.193.550	1.071	3.194.621
Total comprehensive income for the period	0	0	-52.570	296.201	243.631	0	243.631
Share capital decrease	-409.332	0	0	0	-409.332	0	-409.332
Share capital increase	15.377	0	0	0	15.377	0	15.377
Change in consolidation scope	0	0	0	0	0	8	8
Addition/decrease reserves	0	56.024	0	-56.024	0	0	0
Dividends paid	0	0	0	-228.581	-228.581	0	-228.581
Balance at 31 December 2011	1.924.415	446.915	-158.475	601.790	2.814.645	1.079	2.815.724

The above information is disclosed in the notes 'Equity' and in the notes 'Employee benefit liability' as regards the 'other comprehensive income'.

Notes to the consolidated financial statements

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32. List of group entities included in the consolidation

1. Reporting entity

The consolidated financial statements comprise – beside the accounts of the 7 mixed Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the operating company Eandis cvba, and its subsidiaries De Stroomlijn cvba, Indexis cvba and Atrias cvba. The aggregated accounts taken together form the ‘Group’. The DSOs are being managed centrally.

The statutory aim of the DSOs is the distribution system operation as understood by the Electricity and Gas Decrees and their execution resolutions, as well as carrying out each peripheral activity, such as public lighting. These activities are subject to the regulation by the Commission for the Regulation of Electricity and Gas (CREG). For more information, see chapter “Operating in a regulated environment”.

During 2010 a change to the bylaws was made pursuant to the provision of energy services to local authorities (ESLA). As stipulated in legislation, on request of the local public authorities Eandis offers support at cost price on planning and implementation their local policy on energy through efficient measures and projects.

The companies IMEA, Imewo, Intergem, Iveka and Iverlek are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001) and the companies Gaselwest and Sibelgas are intermunicipal associations under the form of cooperative societies with limited liability.

On 31 December 2011 Eandis was active in 234 cities and communities and employed, together with its subsidiaries, on average 4.601 persons.

2. Summary of significant accounting policies

2.1. Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Community on 31 December 2011. The Group has not applied new IFRS requirements that are effective after 2011.

The consolidated financial statements were expressed in thousands of euro, which is the functional currency and presentation currency of the Group. They have been prepared with the assumption that business activities will be continued and under the historical cost convention method unless otherwise stated.

2.2 Principles of consolidation

The consolidated financial statements comprise all subsidiaries over which the Group has control. There is control when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Such a form of control exists when the DSOs, directly or indirectly, hold more than half of the voting rights in the entity. The existence and impact of potential voting rights that were exercisable or convertible at that time, are being taken into consideration when judging whether the Group has the control to determine the financial and operating policies of another entity.

Subsidiaries have been fully consolidated as of the date on which the Group gained actual control until the date the Group no longer exercises such control.

The financial reporting of the subsidiaries is prepared for the same reporting year as that of the parent companies, using consistent accounting principles. All intercompany transactions, balances and unrealized gains and losses between group companies have been eliminated.

Non-controlling interest in the net assets of the consolidated subsidiaries has been individually reported in equity of the parent companies. Non-controlling interest consists of the amount of that interest at the acquisition date and the non-controlling share in the equity changes since the date of the business combination. Losses relative to the minority that are higher than the non-controlling interests in the subsidiary's equity have been allocated to the Group's interests with the exception of those cases in which the minority has a binding obligation to make additional investments to compensate for the losses and is able to do so.

A listing of the subsidiaries of the Group is set out in note 'Group entities'.

2.3 Segment reporting

The Group does not distinguish between different segments, neither at the level of activities, nor geographically, since the Group generates income from a sole activity, i.e. distribution network management (electricity and gas) in Flanders.

2.4 Significant accounting policies

The applied accounting policies are in line with last year's accounting principles.

a) Operating income

Goods sold and services rendered

Revenue from sale of goods has been recognized when all of the following conditions have been satisfied:

- the Group transferred the significant risks and rewards of ownership of the goods to the buyer;
- the Group retains neither the continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be determined reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- costs incurred or to be incurred in respect of the transaction can be measured reliably.

On the basis of the previously mentioned principles the sale of goods and the rendering of services has been recognized at the moment of delivery of the goods to the customer, of the customer accepting the goods and of the collectability of the related amounts.

Distribution network remuneration (energy transport) – Social function (energy supply)

The transport grid revenue (grid fee) is based on the actual billings of the grid fee of the DSO's in the relevant year.

The billing of grid fee to energy suppliers and other DSO's is based on the tariffs approved by the CREG that are published on the websites of the respective DSO's. The real grid fee invoice contains invoiced advances (for customers whose meter is recorded annually), settlement billing (from annually recorded, manual monthly recorded and remotely read access points) as well as rectification invoices recorded in the concerned calendar year.

b) Financial income

Interest income is recorded on a pro rata basis which takes into account the effective maturity of the loan on which they bear reference (the effective interest rate method).

Interest income was recognized as soon as acquired and for the period to which it relates (taking into account the asset's actual interest rate), unless there is doubt about its collectability.

All interests and other incurred costs relating to loans or other financial transactions such as hedging options are recognized as finance costs when they occurred.

c) Intangible assets

Intangible assets are measured at cost less any accumulated amortizations and impairment losses.

Costs relating to research, which is carried out with the purpose of obtaining new technical knowledge and insights, are recognised in the income statement in the period in which they occur.

Costs relating to the development phase, in which knowledge obtained through research is applied in order to achieve a plan or design for the production of new or significantly improved products and processes, are included in the balance sheet if and only if the product or process was technically and commercially feasible, the entity has the necessary resources to complete the development, it is probable that future economic benefits will flow into the Group and the cost can be measured reliably. The capitalised amount includes all costs that are directly attributable to the creation, production, and the preparation of the asset so that it could operate in the same manner as intended by the management.

Intangible assets with a finite useful life are amortized on a straight-line basis over their expected useful life. Another amortization method is only used if the expected pattern of consumption of the future economic benefits of the asset was better reflected.

Intangible assets are not revalued.

When the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The following amortization percentages are used in the calculation of depreciation:

Software	20 %
Cost for smart meters, smart grid and clearing house	20 %

d) Property, plant and equipment

Property, plant and equipment are measured at historical cost less third party contributions, the accumulated depreciations and impairment losses. The cost comprises the initial purchase price plus other directly attributable cost.

The cost price of assets of own-production comprises the cost of material, direct labour cost and a reasonable part of indirect labour costs. These indirect labour costs comprise that part of general administrative and operational costs that cannot be directly attributed to investment expenses. These costs (for the largest part personnel costs) are added to the cost price of investment projects according to the internal billing system.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The Group recognizes the cost of an expansion or replacement part of such asset when these costs have been incurred if it is probable that the future economic benefits associated to that asset will flow to the Group and the asset's cost can be measured reliably. All other costs are expensed as incurred.

Depreciation is recognized in profit or loss on a straight-line basis as of the date of bringing into use and over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages on the basis of the average useful life as approved by the CREG are as follows:

Administrative buildings	2 %
Networks and lines	2 %
Other distribution installations	3 %
Optical fibre	10 %
Electronic metering equipment	10 %
Office furniture and tools	10 %
Vehicles	20 %
Hardware	33 %
Test equipment (Electronic vehicles in action)	20 %

In the opening balance sheet as per 1 January 2007 the Belgian GAAP carrying amount, as accepted by the CREG, was taken as the opening value for IFRS.

Repair and maintenance costs that do not increase the future economic benefits are recognized in the income statement as incurred.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is at its location and in the condition necessary for it to function in the manner intended by management.

Gains and losses on sale

Any gain or loss arising on derecognition of property, plant and equipment is included in the income statement. They are recognized when the significant risks and rewards of ownership have been transferred to the buyer, collectability of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment.

Leasing

Lease of assets under which all the risks and rewards incidental to ownership are substantially retained by the lessor, is classified as operating lease.

Lease payments based on operating leases are expensed on a straight-line basis, unless another systematic method is more representative of the time pattern of the benefits for the user.

Impairment

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the group estimates the asset's recoverable amount.

Impairment has been recognized if an asset's carrying amount exceeds the recoverable value. Impairment is charged directly to the income statement.

e) Investments

All investments are accounted for at trade date.

Investments in equity instruments consists of interests in entities in which the Group does not have significant influence or control. This is the case in companies where the Group has less than 20% of the voting rights. Such investments are designated as financial assets available for sale and are at initial recognition measured at fair value unless the fair value cannot be reliably determined in which case they are measured at cost.

An impairment is recognized if the carrying amount exceeds the expected realizable value.

Options and warrants for the purchase of shares have been recognized at fair value. The fair value for the options and warrants was determined using the Black-Scholes model. Changes in fair value have been recognized in profit or loss.

f) Inventories

Inventories have been measured at purchase cost. Their value has been determined using the moving weighted average method.

An impairment is carried out on inventories if, due to their obsolescence, they are no longer usable or if their the carrying amount exceeds their estimated sales price. If items of inventory have not been used for more than a year, an impairment of 100 % is recorded.

This impairment loss is recognized as an expense in the income statement.

g) Trade and other receivables

Trade and other receivables are measured at amortized cost.

An allowance for impairment is established if the collection of the receivable becomes doubtful and after comparison with the realizable value. If a receivable is expected to be no longer collectible or if the collection costs exceed the amount of the receivable, the receivable is derecognized utilizing the allowance that was recognized for that purpose.

Construction works for third parties have been stated at cost price. The cost price comprises all expenses directly related to specific projects and a surcharge of the fixed and variable indirect costs incurred related to the Group's contract activities based on a normal production capacity.

For receivables in relation to construction works carried out on behalf of third parties, with the exception of damage claims and receivables on communities which have expired for more than 6 months, are regarded as doubtful. Therefore a write-down of 100 % (excluding VAT) has been recorded.

In the framework of the full liberalization of the energy market in Flanders as per 1 July 2003, an impairment loss was recognized for the total amount including VAT of all receivables as per 31 December 2003, older than 6 months. These provisions have been reversed in view of the collection of these receivables or they have been used whenever these receivables have no longer been reported in the balance sheet.

The receivables from energy supplies within the framework of the Distribution system operators' social public service obligations (SPSO) are recognized in the balance sheet at nominal value. These receivables are considered as doubtful if they have not been paid after expiry date in the following cases: bankruptcy, judicial settlement and judicial procedure. Impairment losses of 100 % (excluding VAT) have been recognized for receivables below a limit to be fixed by the Board of Directors and for 80 % (excluding VAT) for all other cases.

For all other SPSO receivables an impairment loss of 100 % of the amount receivable (excluding VAT) has been recognized, if they are older than 1 year and have not been included in an agreed repayment plan. These receivables are recorded as doubtful.

h) Cash and cash equivalents

Cash and cash equivalents comprise the readily available cash resources, deposits that can be immediately withdrawn and other short term, highly liquid investments (with a maximum maturity of three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are stated at face value, which approximates their fair value. For the purpose of the cash flow statement, they are presented as cash and cash equivalents.

i) Share capital

The share capital is represented by certificates C, shares A, C, D and F and the shares/certificates E" and E without nominal value. Together with the shares/certificates C they are entitled to a dividend.

The shares A, C, D and F have voting right; the certificates C, the shares/certificates E" and E have no voting rights.

The profit is paid proportionally to the shares A or C and the certificates C after setting up the necessary reserves and after paying the remuneration for the F shares and the shares/certificates E" and E according to the reimbursement rate stipulated in the statutes.

Dividends are recognized as a liability in the period in which they have been approved.

If there are components of the results that are the consequence of elements originating in the captive period (before 1 July 2003) and that would have affected the outcome of the relevant period, then this part of the result is assigned to the participants according to the terms as were applicable with respect to the distribution of net profit realized in the years preceding the first effects of liberalization.

j) Loans and borrowings

Interest bearing loans are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost, in which any difference between the proceeds and the reimbursement is charged to the income statement using the effective interest method over the maturity of the loans.

k) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred, including possible deficits to the minimum guaranteed return.

The Group's liabilities for the defined benefit plans, as well as for the subsequent costs, have been valued on the basis of the "Projected Unit Credit" method. The amount recognized in the balance sheet represents the present value of the pension liabilities (Defined Benefit Obligation) mentioned, less the past service costs which have not yet been recognized and the fair value of plan assets.

Past service costs as a result of the introduction of or changes in defined benefit plans have been expensed linearly over the average period until the benefits become vested. To the extent that the benefits vest immediately, past service costs have been recognized immediately.

The actuarial gains and losses have been recognized immediately in equity (statement of recognized income and expenses) and they do not affect the income statement.

The amount recognized in the income statement comprises the service costs allocated to the accounting year, the interest costs, the expected return on plan assets (as a negative component), the possible past service costs as well as the effect of possible curtailments and settlements.

Other long term employee benefits

These benefits are treated in the same manner as pension plans; however, past service costs and actuarial gains and losses have been immediately recognized in the income statement.

l) Derivative financial instruments

The Group uses derivative financial instruments to hedge the exposure to interest rate risks that arise from its financing activities. Derivative financial instruments are initially recognized at fair value. The gain or loss resulting from fluctuations in the fair value is immediately accounted for through the income statement. The fair value of the interest rate swaps was the estimated amount the Group would receive or pay to end the swap at the balance sheet date, taking into account the actual interest rate and the creditworthiness of the counterparty.

The derivatives do not qualify for hedge accounting.

m) Provisions

Provisions are recognized in the balance sheet when the Group has a present (legal or constructive) obligation as a result of a past event, and when it is probable that an outflow of financial resources will be required to settle the obligation and the obligation's amount can be reliably estimated.

The amount recognized as provision is the best available estimate on the balance sheet date for the expenses needed to meet the existing liabilities, possibly discounted if the money's time value is relevant.

n) Trade and other liabilities

Trade and other liabilities have been measured at amortized cost.

o) Income tax expense

Taxes on the accounting year's result comprise current taxes. These taxes comprise the expected tax liability on the taxable income of the year and adjustments to the tax liabilities of prior years. For the calculation of these income taxes, the tax rates used, are those enacted (or substantially enacted) at the end of the reporting period.

The DSOs are subject to the private entity tax only for that part of the dividends that is allocated to the Private Partner/shareholder. Eandis and its subsidiaries are subject to the corporation tax.

Current tax assets and liabilities are offset only if the entity has a legally enforceable right to set off the recognized amounts and has the intention to either settle the obligation on a net basis, or to realize the asset and settle the liability simultaneously.

2.5 Summary of the changes in accounting policies

The following Standards and Interpretations became applicable for the annual period on 1 January 2011.

- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The application of these standards and interpretations did not affect the reported amounts but may have an effect on the processing of future transactions or arrangements.

2.6 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that might affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses. The estimates and the underlying assumptions have been based on past experience and several other factors that are believed to be reasonable given the circumstances. The results thereof form the basis for the judgment on the carrying amount of assets and liabilities that could not be deduced in a simple way from other sources. The actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments is processed in the note relating to 'Employee benefit liability' and 'Derivative financial instruments'.

2.7 Standards issued but not yet effective

The following new standards and interpretations were published, but were not yet applicable for the annual period beginning on 1 January 2011.

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

The Group will apply the new standards and interpretations applicable to its financial statements as soon as they become effective. The Group has not opted for early application of these standards and interpretations.

The adoption of these standards, interpretations and amendments to the standards already issued and their impact on the Group's results are further assessed.

3. Operating revenue

Revenue

(In thousands of EUR)	2011	2010
Distribution and transport grid revenue	1.979.950	1.677.624
Sale of energy (a.o. social customers)	87.800	88.938
Construction works for third parties	52.332	44.695
Other sales	7.377	7.002
Total	2.127.459	1.818.259

The Group has realized most of its revenue from the remuneration for the transport of electricity and gas via its **networks**. This revenue should be evaluated together with the regulatory transfers. The **sale of energy** consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems.

The billing of **construction works for third parties** comprises the construction works carried out by Eandis (possibly in synergy with other utilities) for the account of customers.

The **other sales** mainly comprise the revenue from costs billed for studies, combined heat and power projects and others.

Other operating income

(In thousands of EUR)	2011	2010
Recuperations	29.318	23.020
Other	15.668	15.542
Other operating income	44.986	38.562
Own construction, capitalized	665.544	599.541

The **various recuperations** relate to billings for work performed for customers, the re-invoicing of costs for recommended campaigns within the framework of the Natural Gas Fund and additional campaigns for Rational Use of Energy (RUE), recovery for energy scans and recuperation of rent and implemented projects.

The **other operating income** mainly comprises allowances for damages and operations, gains on trade receivables (418 kEUR for 2011 and 553 kEUR for 2010) and gains on the sale of property, plant and equipment (343 kEUR for 2011 and 1.209 kEUR for 2010).

All costs related to distribution activities have been registered as operational cost. Periodically, a settlement has been recorded and certain of these costs related to investments have been activated through the item **own construction, capitalized**. As a result, this revenue cannot be considered as an operating income.

This item also contains the contributions received from customers (108.267 kEUR for 2011 and 99.301 kEUR for 2010) which are also deducted as own construction, capitalized (-108.267 kEUR for 2011 and -99.301 kEUR for 2010).

4. Cost of trade goods

(In thousands of EUR)	2011	2010
Cost for transportation	387.786	353.434
Purchase of energy	44.614	45.129
Purchase of goods for resale	158.526	142.036
Purchase of grid losses	36.320	39.627
Certificates for green energy	234.265	115.681
Total	861.511	695.907

The cost for transportation includes the expense of the federal contribution since mid 2009. In the cost of 2011 an amount of € 136 million was recorded and for 2010 € 110 million was recorded. This contribution will be used to finance certain public service obligations and the costs associated with the regulation and control of the electricity market. The DSOs charge these costs in the tariffs to the end users (cascade mechanism).

The Group has the obligation to buy certificates for green energy that were offered at a certain price. These certificates can be sold on the market to a value lower than the purchase price. The resulting costs were included under the heading 'Certificates for green energy'. It is expected that these costs will increase in the future.

5. Cost for services and other consumables

(In thousands of EUR)	2011	2010
Cost of purchase network grids	330.419	300.173
Cost for direct purchases	37.373	36.311
Fee for usage of installations and retributions	28.376	30.546
Advertising, information, documentation, receptions a.o.	14.741	14.292
Subsidy for rational use of energy (RUE)	46.318	38.881
Contribution 100 kWh free of charge	91.688	91.325
Contracts and administration costs	5.144	8.729
Consultancy and other services	66.261	62.226
Other	51.149	54.199
Total	671.469	636.682

The cost for services and other consumables has increased with 34.787 kEUR compared to 2010.

This increase is mainly due to the increase of the costs for the construction and maintenance of the networks (30.246 kEUR), the cost for rational use of energy (7.437 kEUR) and the consultancy and administration costs (4.123 kEUR).

The item 'Other' comprises the cost for rent, communication, transport, insurance, seminars and other.

6. Employee benefit expenses

(in thousands of EUR)	2011	2010
Remunerations	259.015	246.991
Social security contributions	75.847	69.501
Contributions to defined benefit plans and other insurances	86.825	52.438
Other personnel costs	17.844	18.800
Total	439.531	387.730

The employee benefit expenses amounted to 439.531 kEUR in 2011, an increase of 51.801 kEUR compared to 2010 mainly the result of the increased number of employees and additional allocations to pension funds.

The contributions paid to defined contribution plans amounted to 3.077 kEUR in 2011 and 2,749 kEUR for 2010.

The average number of employees (in full time equivalents) of the Group amounted to 4.601 persons. The Group kept recruiting employees in order to meet its numerous tasks and to comply with the new evolutions and challenges.

7. Amortization, depreciation and impairments (on current and non-current assets), changes in provisions

(In thousands of EUR)	2011	2010
Amortization of intangible assets	12.419	5.714
Depreciation of property, plant and equipment	273.324	268.476
Total amortization and depreciation	285.743	274.190
Impairment of inventories and trade receivables	-1.770	16.243
Changes in provisions	-940	-2.407
Total	283.033	288.026

The amortization on tangible assets increased with 6.705 kEUR as a result of the investment in the projects smart metering and smart grids.

The depreciation on property, plant and equipment showed an increase of 4.848 kEUR due to the continuous investments mainly in installations, machinery and equipment (see note 'Property, plant and equipment').

The decrease in the impairment of inventories and trade receivables mainly concerns the impairment on receivables of social receivables (see note 'Trade and other receivables') offset by a write back due to adjustments in the past. These proceeds were recorded as an expense in the note 'Other operating expenses' under the heading 'Loss realization receivables'.

The change in provisions mainly concerns the provision for rehabilitation costs which amounted to 914 kEUR for 2011 and 2.281 kEUR for 2010 (see note 'Provisions').

8. Other operational expenses

(In thousands of EUR)	2011	2010
Loss on disposal of property, plant and equipment	46.099	38.522
Loss on realization receivables	12.963	6.866
Other	2.738	2.203
Total	61.800	47.591

9. Regulated transfers

The revenue of the items **additions, recoveries and regularisation transfers** relate to the additional revenue registration that is allowed as the difference between the actual income and expenses and the budgeted income and expenses as approved by the CREG. The result thus additionally reported will be recuperated through the tariffs of the following years (see chapter "Operating in a regulated environment").

From 2011 the Group reports the additions, recoveries and regularisation for transfers in this separate section as 'Operating expenses', where previously they were reported as 'Revenue'.

The Group believes that the balance between actual income and expenses and the budgeted income and expenses is not part of revenue, since the recovery through tariffs will occur in a subsequent period.

This adjustment has the following effect on the income statement of 2010:

(In thousands of EUR)	Initial	Adjustment	2010
Operating revenue	2.512.119	-55.757	2.456.362
Revenue	1.874.016	-55.757	1.818.259
Operation expences	2.055.936	-55.757	2.000.179
Regularisation tranfers	NA	-55.757	-55.757

NA = Not applicable

The regulated transfers for 2011 and 2010 are as follows:

(In thousands of EUR)	2011	2010
Addition transfers	-89.230	-100.455
Recuperation transfers	111.237	44.698
Total	22.007	-55.757

The increase in the item 'Recuperation transfers' with 66.539 kEUR is mainly due to an interim adjustment of the tariffs from April 2011 onwards. The initially approved distribution tariffs for the regulatory period 2009-2012 were not able to cover the unforeseen strong growth in the cost of green certificates and subsidies for rational use of energy (REU). The CREG approved the tariff adjustment so as to prevent a sudden increase in the distribution tariffs at the start of the next regulatory tariff period and to avoid the prefinancing by the DSOs.

10. Financial results

(In thousands of EUR)	2011	2010
Interest income, banks	154	33
Financial discount	1.865	1.398
Interest income, others	283	376
Dividends received	160	0
Finance income	2.462	1.807
Interest expenses, non-current loans	144.612	127.168
Interest expenses, current loans and other borrowings	4.455	2.094
Interest expenses, derivative financial instruments	57.248	27.900
Other finance costs	147	318
Finance costs	206.462	157.480

The finance costs increase as a result of interest expenses on current and new loans especially on long term, and with banks and others. Interest expenses were also recorded for the fair value recognition of derivative financial instruments.

11. Income tax

(In thousands of EUR)	2011	2010
Tax expenses on current year result	4.177	10.918
Tax expenses on previous/next year result	-5.740	-139
Total	-1.563	10.779

(In thousands of EUR)	2011	2010
Profit before tax (1)	294.638	300.509
Theoretical tax rate (2)	100.147	102.143
Specific tax regime DSOs (3)	-102.019	-100.055
	-1.872	2.088
Effect not deductible expenses	4.435	4.338
Effect of deduction (notional interest, other)	-8.876	-45
Usage of fiscal loss carried forward	6.547	-24
Private entity tax DSOs on dividends for the Private Partner/shareholder	3.943	4.561
Total income tax expenses	4.177	10.918

(1) Pretax profit of activities

(2) Subject to the legal Belgian tax rate of 33,99 %

(3) The DSOs are only taxable on that part of the amount that is allocated as a dividend to their Private Partner/shareholder. This dividend tax is calculated at the 15,45 % rate.

Although there are important differences between the statutory annual accounts according to Belgian GAAP and the consolidated IFRS accounts, no deferred taxes have been reported. As the DSOs are subject to the legal entity tax, which is only applicable on dividends paid out to third parties (non-public authorities), the differences therefore do not result in deferred taxes.

12. Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Cost at 1 January 2011	15.546	28.566	44.112
Acquisitions	0	33.529	33.529
Cost at 31 December 2011	15.546	62.095	77.641
Depreciation and impairment at 1 January 2011	15.546	6.950	22.496
Depreciation	0	12.419	12.419
Depreciation and impairment at 31 December 2011	15.546	19.369	34.915
Net book value at 31 December 2011	0	42.726	42.726

(In thousands of EUR)	Licences and similar rights	Research costs	Total
Cost at 1 January 2010	15.546	6.183	21.729
Acquisitions	0	22.383	22.383
Cost at 31 December 2010	15.546	28.566	44.112
Depreciation and impairment at 1 January 2010	15.546	1.236	16.782
Depreciation	0	5.714	5.714
Sales and disposals	0	0	0
Depreciation and impairment at 31 December 2010	15.546	6.950	22.496
Net book value at 31 December 2010	0	21.616	21.616

The investments for the projects smart metering, smart grids and clearing house are recorded in the item Research costs. The additions for the project smart metering amounted to 22.431 kEUR for 2011 and 16.682 kEUR for 2010.

Research costs are included in the income statement amounting to 339 kEUR for 2011 and 320 kEUR for 2010.

There were no intangible assets with an indefinite useful life.

13. Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Total
Cost at 1 January 2011	215.782	11.343.581	352.329	16.078	11.927.770
Acquisitions	11.008	559.565	14.945	45	585.563
Sales and disposals	-1.014	-185.140	-3.117	0	-189.271
Cost at 31 December 2011	225.776	11.718.006	364.157	16.123	12.324.062
Depreciation and impairment at 1 January 2011	64.361	4.658.142	271.307	8.002	5.001.812
Acquisitions	3.657	242.922	25.132	1.613	273.324
Acquisitions from third parties	0	0	503	0	503
Sales and disposals	-1.009	-139.040	-2.948	0	-142.997
Depreciation and impairment at 31 December 2011	67.009	4.762.024	293.994	9.615	5.132.642
Net book value at 31 December 2011	158.767	6.955.982	70.163	6.508	7.191.420

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Total
Cost at 1 January 2010	209.375	10.952.211	335.279	16.000	11.512.865
Acquisitions	10.596	513.326	23.129	78	547.129
Sales and disposals	-4.189	-121.956	-6.079	0	-132.224
Cost at 31 December 2010	215.782	11.343.581	352.329	16.078	11.927.770
Depreciation and impairment at 1 January 2010	62.694	4.507.082	249.254	6.400	4.825.430
Depreciation	3.526	235.318	28.030	1.602	268.476
Sales and disposals	-1.859	-84.257	-5.977	0	-92.094
Depreciation and impairment at 31 December 2010	64.361	4.658.142	271.307	8.002	5.001.812
Net book value at 31 December 2010	151.421	6.685.439	81.022	8.075	6.925.958

The acquisitions reported in the item 'Installations, machinery and equipment' mainly relate to the investments in mid and low voltage electricity networks for a total value of 308,5 million euro in 2011

and 266,0 million euro in 2010 and investments in gas pipe lines and gas connections for a value of 197.2 million euro in 2011 and 191,7 million euro in 2010.

At the end of 2011 and 2010 there was a firm commitment to sell a building as well as the intention to sell different building sites (see note 'Contingencies').

The commitments for the acquisition of property, plant and equipment at the end of 2011 amounted to 2.002 kEUR and 636 kEUR at the end of 2010.

The net book value includes the assets paid by clients (third party intervention) and corresponds to the fair value of the network of the Group.

As per 31 December 2011 and 2010, there are no restrictions on title and property, plant and equipment are not serving as pledge for liabilities.

14. Investment in an associate

On 9 May 2011 Atrias cvba was established. Atrias is a central clearing house for the Belgian DSOs and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should happen.

The Group has acquired 25 % of the shares.

The amount of 5 kEUR was recorded as an investment in an associate.

Atrias is an unlisted company and has no official price quotation.

The following table summarizes the financial information of Atrias at 31 December:

(In thousands of EUR)	2011
Current assets	1.077
Liabilities	1.059
Equity	19
Share in equity	5
Revenue	243
Result for the period	0
Share in the result for the period	0

15. Other investments

(In thousands of EUR)	2011	2010
Business centres	1.092	1.092
KIC - InnoEnergy	10	0
Total	1.102	1.092

This relates to participations in business centres which the Group has subscribed to since 2007 at the request of its shareholders. These business centres are situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes, Waregem and Westhoek), Imewo (business centres Bruges, Ghent, Meetjesland and Ostend) and Iveka (business centres Kempen and

Rupelstreek). During 2010 an additional participation for 58 kEUR was taken in the business centre of Kortrijk.

In 2011 the Group received a dividend of a business center of 160 kEUR.

In 2011, a participation (1 share) was subscribed in a European company KIC InnoEnergy amounting to 10 kEUR. This company aims to develop various components for medium and low voltage in stations, and the necessary logistics and communication channels.

16. Long term receivables

This category consisted almost exclusively of loans to local authorities at market conditions and amounted to 3.503 kEUR at the end of 2011 and 4.884 kEUR at the end of 2010.

17. Inventories

(In thousands of EUR)	2011	2010
Raw materials and consumables	32.460	28.299
Impairment of inventories	-294	-209
Total	32.166	28.090

The amount of the impairment losses amounted to 85 kEUR in 2011 and 16 kEUR in 2010. These amounts were reported in the income statement.

18. Trade and other receivables

The trade and other receivables are composed as follows.

(In thousands of EUR)	2011	2010
Trade receivables - gross	442.221	406.608
Impairments	-92.776	-94.597
Trade receivables - net	349.445	312.011
Other receivables	126.595	38.840
Other receivables - Transfers	423.087	446.755
Other receivables	549.682	485.595
Total	899.127	797.606

The information regarding outstanding balances with the associate, was included in the note 'Related parties'.

The detail of the **trade receivables – net** is as follows.

(In thousands of EUR)	2011	2010
Trade receivables from distribution grid activities		
Outstanding debt	196.654	188.387
Impairment	0	0
Trade receivables social customers		
Outstanding debt	130.015	103.923
Impairment	-59.853	-47.094
Other trade receivables		
Outstanding debt	61.428	75.514
Construction works for third parties	32.974	20.601
Impairment	-32.923	-47.503
Trade receivables	12.613	9.688
Other	8.537	8.495
Total trade receivable - net	349.445	312.011

The trade receivables social customers have increased further and amount to 70.162 kEUR or a net increase of 13.333 kEUR compared to last year.

The other trade receivables include an amount of 21.489 kEUR for 2011 and 33.247 kEUR for 2010 related to bad debts from the period before the energy market's liberalization, as well as receivables related to finished construction works and services rendered and costs still to be billed related to works for third parties.

Ageing analysis of trade receivables - net

(In thousands of EUR)	2011	2010
1 - 60 days	4.338	16.342
61 - 90 days	4.417	5.185
91 - 180 days	11.305	14.699
181 - 365 days	28.109	28.007
>365 days	24.340	10.967
Total trade receivables - net	72.509	75.200

Movements in accumulated impairments on trade receivables

(in thousands of EUR)	2011	2010
Balance at 1 January	-94.597	-78.353
Impairment of receivables	-19.685	-24.605
Impaired amounts	11.953	4.324
Amounts received during the year	9.553	4.037
Balance at 31 December	-92.776	-94.597

The detail of the **other receivables** is as follows.

(In thousands of EUR)	2011	2010
VAT receivable	2.793	739
Receivables municipalities	1.584	1.044
Green energy and cogeneration certificates	68.350	32.292
Receivables options	2.392	3.048
Others	51.476	1.717
Other receivables	126.595	38.840
Transfer tariff	331.216	343.356
Complement to annual energy sales	51.287	54.275
Financial reconciliation	-32	26.816
Solidarity contribution for certificates for green energy	11.023	0
Deferred charges	12.384	5.963
Accrued income	17.210	16.345
Other receivables - Transfers	423.088	446.755
Total	549.683	485.595

The increase in **other receivables** was mainly due to the increase in the purchase obligation of the certificates for green energy and another short-term receivable from a financing intermunicipal company.

Transfer tariff is related to the revenue correction that in the following tariff period is eligible for inclusion (see chapter 'Working in a regulated environment – The billing mechanism').

The **complement to the annual energy sales** concerns the estimate of the energy supplied to social customers.

The **financial reconciliation** aims to correct the allocated energy taking into account the measured (real) consumption of the network users. This process takes place on a continuous basis since 2010.

Solidarity contribution for certificates for green energy

The cost of green power differs greatly for each distribution area in Flanders. In the energy decree, the distribution system operators are committed to a mutual settlement of the costs since 2010. The principles and procedures are initiated by the VREG (Flemish Regulator for the Electricity and Gas). Since the settlement can be both a receivable or a liability, this item must be read together with the item reported in the notes 'Trade and other payables'.

The **deferred charges and accrued income** mainly concern the amounts to be settled on the sales of distribution networks and installations and elements related to the recuperation of costs of (Rational Use of Energy)-RUE campaigns.

19. Current tax assets

This item primarily comprises tax receivables amounting to 11.678 kEUR for 2011 (2.748 kEUR in 2010).

20. Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash. At the end of 2011 an amount of 5.964 kEUR was available and 17.169 kEUR at the end of 2010.

All resources are reported in euro.

21. Issued capital and reserves

The various components of equity and the movements from 1 January 2010 to December 31, 2011 were reflected in the 'Statement of changes in equity'.

The **share capital** amounted to € 1.924.415.173,52 at the end of December 2011 and was fully subscribed and paid up. The capital represents the sum of the capitals of the DSOs.

The share capital amounted € 2.318.369.607,42 at the end of December 2010.

The table below shows the *number of shares and profit certificates per category in the capital of each DSO* at the end of 2011.

DSO	Shares A and C		Profit certificates C		Shares F	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	13.636.330	138.739.255,09	119 (1)	0,00	2.718.294	177.335.132,75
IMEA	6.857.503	61.436.213,92	12	0,00	1.371.491	69.488.003,84
Imewo	13.471.943	241.819.942,33	87	0,00	2.694.379	139.827.154,47
Intergem	7.201.570	91.558.642,15	48	0,00	1.440.300	76.100.180,77
Iveka	10.798.392	141.629.329,25	93	0,00	2.091.014	109.233.217,70
Iverlek	16.177.467	131.348.127,38	103	0,00	3.235.487	153.054.430,90
Sibelgas (2)	4.091.477	37.821.921,90	0	0,00	808.289	22.354.333,22
Total	72.234.682	844.353.432,02	462	0,00	14.359.254	747.392.453,65

DSO	Shares/Profit certificates E"		Shares/Profit certificates E		Total	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	843.437	54.997.639,49	436.906	15.160.239,04	17.635.086	386.232.266,37
IMEA	571.748	27.094.533,18	1.092.956	29.473.156,59	9.893.710	187.491.907,53
Imewo	74.990	4.616.255,71	1.150.503	37.939.814,00	17.391.902	424.203.166,51
Intergem	135.430	7.114.050,94	178.838	5.240.402,11	8.956.186	180.013.275,97
Iveka	601.258	32.255.094,00	438.610	14.150.572,96	13.929.367	297.268.213,91
Iverlek	1.148.536	55.093.403,62	1.144.387	30.323.036,53	21.705.980	369.818.998,43
Sibelgas	0	0,00	816.927	19.211.089,68	5.716.693	79.387.344,80
Total	3.375.399	181.170.976,94	5.259.127	151.498.310,91	95.228.924	1.924.415.173,52

(1) Shares C

(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital and 3 shares C.

The table below shows the *number of shares and profit certificates per category in the capital of each DSO* at the end of 2010.

DSO	Shares A and C		Profit certificates C		Shares/Profit certificates E	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	13.636.330	473.928.385,02	119 (1)	0,00	395.141	13.725.904,97
IMEA	6.857.503	199.411.243,63	12	0,00	762.209	22.023.617,89
Imewo	13.471.943	448.167.656,08	87	0,00	940.971	31.446.328,14
Intergem	7.201.570	210.436.063,32	48	0,00	178.838	5.240.402,11
Iveka	10.798.392	347.898.836,02	93	0,00	438.610	14.150.572,96
Iverlek	16.177.467	428.702.173,00	103	0,00	1.144.387	30.323.036,53
Sibelgas (2)	4.091.477	82.915.408,14	0	0,00	495.523	9.999.979,61
Total	72.234.682	2.191.459.765,21	462	0,00	4.355.679	126.909.842,21

DSO	Total	
	Number	Capital (in €)
Gaselwest	14.031.590	487.654.289,99
IMEA	7.619.724	221.434.861,52
Imewo	14.413.001	479.613.984,22
Intergem	7.380.456	215.676.465,43
Iveka	11.237.095	362.049.408,98
Iverlek	17.321.957	459.025.209,53
Sibelgas	4.587.000	92.915.387,75
Total	76.590.823	2.318.369.607,42

(1) Shares C

(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital and 3 shares C.

The decrease of the share capital is the result of the optimization of the capital structure of the DSOs. On 30 June 2011 a capital decrease of € 1.347.106.333,19 was carried out whereof € 942.974.518,58 for the public shareholders and € 404.131.814,61 for the Private Partner / participant. Linked to this was a second part in which the public shareholders could immediately reinvest their share of the capital reduction in the distribution system. The public shareholders endorsed an amount of € 937.774.540,66 (99,45 %); the amount of € 5.199.977,92 (0,55 %) was not endorsed. The total net capital reduction thus amounted to € 409.331.792,53.

This operation gave rise to the creation of a new share category F (with voting right) and shares /profit certificates E " (without voting rights).

The share capital is thus represented by shares A, C, D and F and the shares/certificates E" and E without nominal value. Together with the shares/certificates C they are entitled to a dividend.

The shares A, C, D and F have voting right; the certificates C, the shares/certificates E" and E have no voting rights.

As a result of the changed ratio, the voting rights of the Private Partner / participant were reduced from 29 % to 25 % + 1 share.

On December 31, 2011, a capital increase of € 15.377.358,63 took place in certain DSOs by issuance of E shares.

The table below summarizes *the movements during 2011* for the number of shares and profit certificates per category in the capital of each DNB

DSO	Shares A and C		Profit certificates C		Shares F	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	13.636.330	138.739.255,09	119 (1)	0,00	2.718.294	177.335.132,75
IMEA	6.857.503	61.436.213,92	12	0,00	1.371.491	69.488.003,84
Imewo	13.471.943	241.819.942,33	87	0,00	2.694.379	139.827.154,47
Intergem	7.201.570	91.558.642,15	48	0,00	1.440.300	76.100.180,77
Iveka	10.798.392	141.629.329,25	93	0,00	2.091.014	109.233.217,70
Iverlek	16.177.467	131.348.127,38	103	0,00	3.235.487	153.054.430,90
Sibelgas (2)	4.091.477	37.821.921,90	0	0,00	808.289	22.354.333,22
Total	72.234.682	844.353.432,02	462	0,00	14.359.254	747.392.453,65

DSO	Shares/Profit certificates E"		Shares/Profit certificates E		Total	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	843.437	54.997.639,49	41.765	1.434.334,07	3.603.496	-101.422.023,62
IMEA	571.748	27.094.533,18	330.747	7.449.538,70	2.273.986	-33.942.953,99
Imewo	74.990	4.616.255,71	209.532	6.493.485,86	2.978.901	-55.410.817,71
Intergem	135.430	7.114.050,94	0	0,00	1.575.730	-35.663.189,46
Iveka	601.258	32.255.094,00	0	0,00	2.692.272	-64.781.195,07
Iverlek	1.148.536	55.093.403,62	0	0,00	4.384.023	-89.206.211,10
Sibelgas	0	0,00	321.404	9.211.110,07	1.129.693	-13.528.042,95
Total	3.375.399	181.170.976,94	903.448	24.588.468,70	18.638.101	-393.954.433,90

(1) Shares C

(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital and 3 shares C.

The overview of the **reserves** is as follows

(In thousands of EUR)	Legal reserves	Unavailable reserves	Available reserves	Total
Balance as at 1 January 2010	1.031	187.211	151.763	340.005
Additions to reserves	0	41.538	9.347	50.885
Balance at 31 December 2010	1.031	228.749	161.110	390.890
Additions to reserves	0	40.154	15.871	56.025
Balance at 31 December 2011	1.031	268.903	176.981	446.915

A *legal reserve* has been formed amounting to € 1.031.020,01. This legal reserve has been formed out of the profits, to the rate of 5 % until a maximum of 10 % of the fixed part of the capital as determined by the articles of association.

An *unavailable reserve* has been formed during the period prior to the energy market's liberalization (captive period), according to the guidelines issued by the Flemish authorities for a total amount of 63.832 kEUR.

Since 2008 amounts were included as unavailable reserve equal to the depreciation of the (RAB-added value) revaluation surplus value in accordance with the settlement with the CREG. From 2010 onwards, the costs were taken into account of the surplus value of land, buildings and installations sold during the accounting year. The addition to the reserves for 2011 amounted to 40.154 kEUR and 41.538 kEUR for 2010.

The total available reserves at the end of 2011 amounted to 176.981 kEUR.

In 2011 the available reserves grew with 16.899 kEUR (10.722 kEUR for 2010) for the part of the bonus related to 2011 (respectively 2010). This amount represents the difference between the manageable costs as provided for in the original budget for the tariffs and the revised budget following the implementation of new/current indexation (see chapter 'Operating in a regulated environment'). Furthermore, an amount of 1.029 kEUR (1.375 kEUR for 2010) was withdrawn.

A **non-controlling interest** of 34,08 % or 85 kEUR on the Tussengemeentelijke Maatschappij der Vlaanderen voor Watervoorziening (T.M.V.W.) has been recognized for the participation held in De Stroomlijn since 2007.

In 2011 a capital increase of 8 kEUR was introduced in De Stroomlijn, which was fully subscribed by Antwerp Water Works (A.W.W.). This resulted in an increase of the non-controlling interest to 35,97 % or 93 kEUR.

Eandis cvba owns 70,00 % of the shares of Indexis cvba, the other shares being held by Ores, the Walloon mixed distribution system operators for electricity and gas and by Jacques Hugé, CEO of Ores (1 share). The non-controlling interest therefore amounts to 30,00 % or 986 kEUR.

Dividend

During the accounting year 2011 dividends were paid for a total value of 228.581 kEUR and in 2010 for an amount of 236.588 kEUR.

Below is an overview of the dividends paid per share/profit certificate and per DNB.

Comparing the dividend per share/profit certificate one should take into account the value of each share/profit certificate represented in the capital of the DSO (see table 'number of shares/profit certificates in the capital of each DSO')

In EUR DSO	2011					2010		
	Shares A & C	Profit certificates C	Shares F	Shares/ Profit certificates E"	Shares/ Profit certificates E	Shares A & C	Profit certificates C	Shares/ Profit certificates E
Gaselwest	3,4160	3,4160	1,3792	1,3696	1,2975	3,8753	3,8753	2,2722
IMEA	2,5957	2,5957	1,0735	1,0027	0,8345	2,9851	2,9850	1,8938
Imewo	3,1790	3,1790	1,0986	1,2762	1,1302	3,4406	3,4406	2,1911
Intergem	2,9252	2,9252	1,1171	1,0825	1,2101	3,2240	3,2240	1,9166
Iveka	2,7348	2,7348	1,1036	1,1240	1,3339	3,0924	3,0924	2,1108
Iverlek	2,4609	2,4609	0,9996	1,0071	1,0945	2,8062	2,8062	1,7349
Sibelgas	1,4710	-	0,5277	-	0,6702	1,6131	-	1,3232
Average	2,8191	2,9490	1,0975	1,1268	1,0231	3,1602	3,3067	1,9085

After the balance sheet date the Board of Directors of each of the DSOs has formulated a dividend proposal. The shareholders have approved the payment of these dividend balances at their DSO's General Assembly. According to IFRS these dividends are only reported in the year that the dividends have been approved. The dividend balance for 2010 amounted to 20.173 kEUR and was included in

the 2011 accounts, the dividend balance for 2011 amounted to 19.732 kEUR and will be included in the 2012 accounts.

The amounts mentioned are the net dividends before withholding tax. The dividend allocated to the Private Partner / participant is subject to the Legal Entity Tax (15,45 % on the dividend allocated for the gas activity) and deduction of withholding taxes (25,00 %).

The Group's **profit** comprises the fair remuneration, as described in the chapter 'Operating in a regulated environment'.

22. Interest bearing loans and borrowings

In order to cover its financing needs the Group can call upon several institutions (banks and private) to attract resources on long and short term. Debt is managed by making use of a combination of short and long term loans in which specific loans with a variable interest rate are being hedged by interest rate swaps (see note 'Derivative financial instruments'). The long-term loans usually have an interest rate based on the interbank interest rate at the date of drawing increased with a predetermined margin.

In order to attract short term resources the Group has the possibility to issue commercial paper within the framework of a treasury bill programme, to draw upon fixed advances with a maturity between 1 day and 12 months and to take up straight loans, all with a maturity between 1 day and 1 week. These loans have a fixed interest rate.

During 2010 Eandis issued two bond loans aimed at private investors for the market in Belgium and the Grand Duchy of Luxembourg.

In 2011, the Group issued a first bond as part of a € 5 billion EMTN (Euro Medium Term Note) programme. Eandis obtained from Moody's Investors Service an A1 (negative outlook) rating.

Overview of long and shortterm loans (excluding interests to be attributed):

(In thousands of EUR)	2011	2010
Long term loans	3.827.775	3.158.156
Current portion of long term loans	152.974	91.990
Short term loans	254.619	379.030
Short term loans	407.593	471.021
Total	4.235.368	3.629.177

At the balance sheet date of 2011, the Group had taken up an additional amount of 606.191 kEUR of loans compared to 2009.

All outstanding loans are expressed in euro.

Long term loans

During 2010, the Group borrowed funds from a bank with a fixed interest rate composed of 2 parts: 100.000 kEUR, repayable in 20 years with an interest rate of 4,7640 % and a loan of 50.000 kEUR repayable in 10 years with an interest rate of 4,1300 %.

Eandis issued two bond loans for a total amount of 320.000 kEUR aimed at private investors in Belgium and the Grand Duchy of Luxembourg. A first bond loan was issued of 150.000 kEUR (at 101,995 %), with a maturity of 7 years and a gross actuarial return of 3,6724 %. A second bond loan of 170.000 kEUR was issued with a maturity of 10 years and a gross actuarial return of 4,0130 %.

During 2011 bank loans were recorded for a total amount of 325.000 kEUR of which 300.000 kEUR with a maturity of 5 years (fixed interest rate of 3,254 % and 3,115 %) and 25.000 kEUR at 10 years (interest rate 3,736 %).

Eandis issued a first bond loan of 500.000 kEUR as part of a € 5 billion EMTN (Euro Medium Term Note) programme with a duration of 10 years and a gross yield of 4,5420%.

For the bond loans, each of the DSOs is guarantor on a non-joint and non-inclusive basis but limited to its proportional share in the capital of Eandis.

All other loans subscribed by Eandis cvba are in the name and on behalf of the DSOs who stand surety for their part and act as joint co-debtor.

Overview of the various long term loans at the end of 2011.

(In thousands of EUR)	Initial amount	Maturity date	Carrying amount	Interest regime	Next review	Current interest rate
Bank loan 1	200.000	2023	135.933	Five yearly revisable	30/06/2013	4,57%
Bank loan 2	200.000	2024	144.561	Fix		4,41%
Bank loan 3	220.000	2024	159.691	Five yearly revisable	31/12/2014	4,20%
Bank loan 4	75.000	2025	57.788	Fix		3,62%
Bank loan 5	300.000	2015	300.000	Fix		3,45%
Bank loan 6	225.000	2025	174.106	Fix		3,80%
Bank loan 7	500.000	2013	500.000	Fix		4,15%
Bank loan 8	500.000	2016	500.000	Fix		4,23%
Bank loan 9	250.000	2026	206.208	Fix		4,18%
Bank loan 10	250.000	2027	217.460	Five yearly revisable	20/12/2012	5,02%
Bank loan 11 A	7.916	2012	1.272	Fix		4,10%
Bank loan 11 B	38.672	2011-2015	6.935	Three yearly revisable	6/02/2012	1,84%-2,88%
Bank loan 11 C	14.481	2014-2016	3.737	Five yearly revisable		2,287%-3,76%
Bank loan 12	250.000	2019	207.675	Fix		4,09%
Loan 13	80.000	2014	80.000	Fix		3,57%
Bank loan 14	100.000	2030	45.860	Fix		4,76%
Bank loan 15	50.000	2020	96.899	Fix		4,13%
Bond loan 16	150.000	2017	150.141	Fix		4,00%
Bond loan 17	170.000	2020	169.878	Fix		4,25%
Bank loan 18	25.000	2021	25.000	Fix		3,74%
Bank loan 19	50.000	2016	50.000	Fix		3,25%
Bank loan 20	100.000	2016	100.000	Fix		3,25%
Bank loan 21	150.000	2016	150.000	Fix		3,12%
Bond loan 22	500.000	2021	497.605	Fix		4,50%
Total	4.406.069		3.980.749			
Current portion of long term loans			-152.974			
Total long term loans			3.827.775			

For bank loans 1, 2, 3, 9, 10 and 19 up to 21 interest rate swaps have been subscribed to in order to swap the variable interest rate to a fixed interest rate (see note 'Derivative financial instruments').

For bank loans 5, 7, 8 and loan 13 the principal will be redeemed at the maturity date (bullet loan) and for the other loans the principal is repaid on an annual basis.

Bank loan 11 is the aggregation of different loans with various deadlines and diverse interest rates, within the designated range.

Overview of the various long term loans at the end of 2010.

(In thousands of EUR)	Initial amount	Maturity date	Carrying amount	Interest regime	Next review	Current interest rate
Bank loan 1	200.000	2023	144.934	Five yearly revisable	30/06/2013	3,49%
Bank loan 2	200.000	2024	153.297	Five yearly revisable	22/12/2014	4,41%
Bank loan 3	220.000	2024	169.233	Five yearly revisable	31/12/2014	4,20%
Bank loan 4	75.000	2025	60.918	Fix		3,62%
Bank loan 5	300.000	2015	300.000	Fix		3,45%
Bank loan 6	225.000	2025	183.399	Fix		3,80%
Bank loan 7	500.000	2013	500.000	Fix		4,15%
Bank loan 8	500.000	2016	500.000	Fix		4,23%
Bank loan 9	250.000	2026	215.744	Five yearly revisable	28/12/2011	4,45%
Bank loan 10	250.000	2027	226.202	Five yearly revisable	27/12/2012	5,02%
Bank loan 11 A	7.916	2012	2.493	Fix		4,10%
Bank loan 11 B	38.672	2011-2015	9.884	Three yearly revisable	6/02/2012	1,84% - 5,47%
Bank loan 11 C	14.481	2014-2016	4.750	Five yearly revisable	5/01/2011	2,29% - 3,76%
Bank loan 12	250.000	2019	229.261	Fix		4,09%
Loan 13	80.000	2014	80.000	Fix		3,57%
Bank loan 14	100.000	2030	100.000	Fix		4,76%
Bank loan 15	50.000	2020	50.000	Fix		4,13%
Bond loan 16	150.000	2017	150.167	Fix		4,00%
Bond loan 17	170.000	2020	169.864	Fix		4,25%
Total	3.581.069		3.250.146			
Current portion of long term loans			-91.990			
Total long term loans			3.158.156			

The interest payments for the next years, calculated on the basis of the current interest rates, are as follows:

(In thousands of EUR)	Interest repayment
In 2012	164.127
In 2013 and 2014	285.912
In 2015 until 2017	292.736
2018 and later	272.789
Total	1.015.563

The following schedule shows the maturity schedule of the different bank loans at the end of 2011.

(In thousands of EUR)	Nominal value	1 year or less	1-2 year	2-5 year	More than 5 year
Bank loan 1	135.933	9.316	19.617	32.067	74.933
Bank loan 2	144.561	9.018	18.992	30.961	85.590
Bank loan 3	159.691	9.881	20.826	34.093	94.891
Bank loan 4	57.788	3.243	6.842	11.219	36.485
Bank loan 5	300.000	0	0	300.000	0
Bank loan 6	174.106	9.647	20.409	33.617	110.433
Bank loan 7	500.000	0	500.000	0	0
Bank loan 8	500.000	0	0	500.000	0
Bank loan 9	206.208	9.526	17.634	34.201	144.846
Bank loan 10	217.460	9.180	27.771	41.656	138.853
Bank loan 11	11.944	4730	5423	1792	0
Bank loan 12	207.675	22.469	47.730	79.162	58.314
Loan 13	80.000	0	80.000	0	0
Bank loan 14	45.860	4.310	9.162	15.212	17.176
Bank loan 15	96.899	3.248	6.968	11.747	74.936
Bond loan 16	150.141	0	0	150.141	0
Bond loan 17	169.878	0	0	0	169.878
Bank loan 18	25.000	2.108	4.455	7.326	11.111
Bank loan 19	50.000	9.370	19.665	20.965	0
Bank loan 20	100.000	18.740	39.329	41.931	0
Bank loan 21	150.000	28.188	59.038	62.774	0
Bond loan 22	497.605	0	0	0	497.605
Total	3.980.749	152.974	903.860	1.408.864	1.515.051

The following schedule shows the maturity schedule of the different bank loans at the end of 2010.

(In thousands of EUR)	Nominal value	1 year or less	1-2 year	2-5 year	More than 5 year
Bank loan 1	144.934	9.002	18.956	30.986	85.990
Bank loan 2	153.297	8.736	18.356	29.946	96.259
Bank loan 3	169.233	9.542	20.112	32.925	106.654
Bank loan 4	60.918	3.129	6.603	10.828	40.358
Bank loan 5	300.000	0	0	300.000	0
Bank loan 6	183.399	9.293	19.661	32.386	122.059
Bank loan 7	500.000	0	500.000	0	0
Bank loan 8	500.000	0	0	500.000	0
Bank loan 9	215.744	9.537	20.365	34.070	151.772
Bank loan 10	226.202	8.742	23.065	41.656	152.739
Bank loan 11	17.127	5.183	7.517	4.427	0
Bank loan 12	229.261	21.586	45.856	76.054	85.765
Loan 13	80.000	0	0	80.000	0
Bank loan 14	100.000	3.100	6.651	11.213	79.036
Bank loan 15	50.000	4.140	8.799	14.609	22.452
Bond loan 16	150.167	0	0	0	150.167
Bond loan 17	169.864	0	0	0	169.864
Total	3.250.146	91.990	695.941	1.199.100	1.263.115

Short term loans

Overview of the different short term bank loans at the end of 2011.

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate
Commercial paper	27/01/2012	522.000	20.000	502.000	1,28%
Fixed advances	4/1/2012 up to 20/1/2012	425.000	175.000	250.000	1,10%
Fixed loans	Daily	150.000	59.619	90.381	1,23%
Total at 31 December 2010		1.097.000	254.619	842.381	

Overview of the different short term bank loans at the end of 2010.

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate
Commercial paper	4/1/2011 up to 31/1/2011	522.000	53.500	468.500	0,67%
Fixed advances	12/1/2011 up to 14/1/2011	500.000	250.000	250.000	0,97%
Fixed loans	Daily	150.000	75.530	74.470	1,05%
Total at 31 December 2010		1.172.000	379.030	792.970	

23. Pensions and other post-employment employee benefit plans

Pension plans

The Collective Labour Agreement of 2 May 1952 stipulated an additional pension equaling 75 % of the last annual salary after deduction of the legal pension at the end of a complete career, as well as a survival pension and an orphan allowance. This defined benefit plan has been fully paid up by the employer and the pensions have been paid out directly to the beneficiaries. The remaining subsequent obligations are for the largest part related to current pensions.

The majority of the employees hired before 1 January 2002 and the executive staff hired before 1 May 1999 are entitled to defined benefit plans which provide in the payment of a lump sum on retirement, and a lump sum and orphan interest in case of decease before retirement. These benefits are calculated taking into account the last annual salary and past service. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (O.F.P. Elgabel and O.F.P. Pensiobel) and group insurances.

Employees hired after 1 January 2002 and the executive staff hired after 1 May 1999 are entitled to defined contribution plans: these pension plans provide in a lump sum on retirement resulting from the contributions paid and the return granted by the pension institutions, as well as a lump sum and orphan interests in case of decease before retirement. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (O.F.P. Enerbel and O.F.P. Powerbel) and group insurances. For the contributions deposited from 1 January 2004 onwards Belgian legislation imposes a minimum average yield: currently 3,75 % on employee

contributions and 3,25 % on employer contributions. Possible deficits are to be financed by the employer. As per 31 December 2011 the fair value of the plan investments amounted to 14.985 kEUR, while the liabilities taking into account the minimum guaranteed yields amounted to 14.364 kEUR. Some individual differences (insignificant) have not been reported in the balance sheet.

Similar allowances have been granted through exit plans.

The other pension allowances contain provisions for acquired pension liabilities.

Other allowances

The Group also grants post-retirement allowances (reimbursement of healthcare costs and tariff benefits), as well as other long term employee benefits (retirement and jubilee bonuses).

Overview on balance sheet date

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
Present value of defined benefit obligation	-698.621	-216.846	-915.467	-695.424	-210.120	-905.544
Fair value of plan assets	425.251	3.842	429.093	439.675	3.868	443.543
Subtotal	-273.370	-213.004	-486.374	-255.749	-206.252	-462.001
Other personnel allowances	-11.774	-18	-11.792	0	-30	-30
Total provisions for employee benefits	-285.144	-213.022	-498.166	-255.749	-206.282	-462.031

Other personnel allowances are related to acquired pension liabilities and career interruption (post 'Other').

Changes in the present value of the defined benefit obligation

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	-695.424	-210.120	-905.544	-709.825	-185.267	-895.092
Current service cost	-14.927	-5.143	-20.070	-14.700	-5.398	-20.098
Contributions from plan participants	-1.576	0	-1.576	-1.750	0	-1.750
Cost of early retirement	-3.103	0	-3.103	-2.742	0	-2.742
Interest cost	-28.989	-8.670	-37.659	-31.156	-9.256	-40.412
Benefit paid	67.986	12.771	80.757	59.460	11.915	71.375
Actuarial gains/(losses)	-22.588	-5.684	-28.272	5.289	-22.114	-16.825
At the end of the period	-698.621	-216.846	-915.467	-695.424	-210.120	-905.544

Changes in the fair value of the plan assets

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	439.675	3.868	443.543	401.181	4.218	405.399
Expected return	20.376	181	20.557	20.608	191	20.799
Contributions by the employee	49.444	12.568	62.012	53.017	11.626	64.643
Contributions from plan participants	1.576	0	1.576	1.750	0	1.750
Benefits paid	-67.986	-12.771	-80.757	-59.460	-11.915	-71.375
Actuarial gains/(losses)	-17.834	-4	-17.838	22.579	-252	22.327
At the end of the period	425.251	3.842	429.093	439.675	3.868	443.543

Components of the expense recognized in profit or loss

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
Current service cost	-16.503	-5.143	-21.646	-16.450	-5.398	-21.848
Cost of early retirement	-3.103	0	-3.103	-2.742	0	-2.742
Interest cost	-28.989	-8.670	-37.659	-31.155	-9.256	-40.411
Expected return on plan assets	20.376	181	20.557	20.608	191	20.799
Actuarial gains/(losses)	0	6.460	6.460	0	-165	-165
Net periodic benefit cost	-28.219	-7.172	-35.391	-29.739	-14.628	-44.367

The actuarial gain/(losses) reported as 'Other' are related to jubilee bonuses.

Changes in the liabilities recognized in the balance sheet

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	-255.749	-206.252	-462.001	-308.644	-181.049	-489.693
Benefit cost	-28.219	-7.172	-35.391	-29.739	-14.628	-44.367
Contributions by the employer	51.020	12.568	63.588	54.767	11.626	66.393
Total actuarial gains/(losses)	-40.422	-12.148	-52.570	27.867	-22.201	5.666
At the end of the period	-273.370	-213.004	-486.374	-255.749	-206.252	-462.001

Accumulated amount of actuarial gains/(losses) on balance sheet date

(In thousands of EUR)	2011			2010		
	Pensions	Other	Total	Pensions	Other	Total
Total	-107.499	-50.976	-158.475	-67.077	-38.828	-105.905

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major categories of assets at the end of 2011.

Category	Currency	Elgabel in %	Pensiobel in %	Insurance companies in %	Total in %
Shares	Eurozone	12,55	15,24	2,95	10,85
Shares	Outside eurozone	15,49	14,87	3,87	12,59
Government bonds	Eurozone	12,98	12,45	18,74	14,23
Other bonds	Eurozone	36,78	35,29	58,01	41,50
Property		6,08	5,83	3,28	5,36
Cash		2,45	3,21	2,91	2,73
Other		13,68	13,11	10,24	12,74
Total (in %)		100,00	100,00	100,00	100,00
Total (in thousands of EUR)		232.290	91.846	101.115	425.251

The classification of the plan investments in function of the major categories of assets at the end of 2010.

Category	Currency	Elgabel in %	Pensiobel in %	Insurance companies in %	Total in %
Shares	Eurozone	15,00	15,47	3,72	12,50
Shares	Outside eurozone	14,45	12,93	4,87	11,91
Government bonds	Eurozone	10,75	11,47	20,08	13,06
Other bonds	Eurozone	34,30	36,39	58,42	40,32
Property		6,56	5,89	3,10	5,62
Cash		5,21	5,52	5,93	5,44
Other		13,73	12,33	3,88	11,15
Total (in %)		100,00	100,00	100,00	100,00
Total (in thousands of EUR)		242.063	96.150	101.462	439.675

The expected return on plan investments has been determined on the basis of the classification of plan investments and the expected return for each category of plan investments.

Principal *actuarial assumptions* used at balance sheet date to determine the provision for employee benefits and other allowances

(In %)	2011	2010
Discount rate	3,80	4,36
Expected return on plan assets	4,50	4,80
Expected average salary increase (inflation excluded)	2,00	2,00
Expected inflation	2,00	2,00
Expected increase of health benefits (inflation included)	3,00	3,00
Expected increase of tariff advantages	0,25	0,25

The (1992) MR/FR mortality tables were used.

The *effect of a one percent point change* would have the following effect on the medical cost:

(In thousands of EUR)	Increase of 1,00 %	Decrease of 1,00 %
Effect on the aggregate of the service cost and the interest cost	-1.070	833
Effect on the funded obligation	15.802	12.660

In order to clarify the *estimation uncertainties*, the results of the sensitivity analysis for the discount rate and the future wage increases are presented below.

(In thousands of EUR)	Increase of 1,00 %	Decrease of 1,00 %
Effect on the defined benefit obligation		
Discount rate	73.237	-82.392
Expected salary increase	-75.984	71.406

A *historical overview* of the present value of the funded obligation, the fair value of the plan assets and the deficit of the pension plans is presented. The part of the adjustments from experience in the actuarial gains and losses, i.e. the part not attributable to the changes in the actuarial assumptions, can be summarized as follows:

(In thousands of EUR)	2011	2010	2009	2008	2007
Present value of funded obligation	-915.467	-905.544	-895.092	-906.254	-910.364
Fair value of plan assets	429.093	443.543	405.399	397.108	466.231
Subtotal	-486.374	-462.001	-489.693	-509.146	-444.133
Experience adjustments on plan liabilities	11.456	10.718	-435	7.029	30.003
Experience adjustments on plan assets	-17.838	22.327	12.176	-102.743	21.724

The Group estimates to contribute 44.267 k EUR to the defined benefit pension plans in 2012.

24. Derivative financial instruments

The Group has entered into interest rate swaps in order to convert the variable interest rate on the long term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 142.443 kEUR in 2011 and 85.195 kEUR in 2010.

The changes in the fair value are recognized in the income statement.

The fair value of derivative financial instruments entered into for hedging the interest rate risk is calculated on the basis of the discounted expected future cash flows taking into account current market interest rates and the yield curve for the instrument's remaining maturity.

Overview of the derivative financial instruments

A first Linear constant maturity swap - (LCMS 1) was entered into on 8 June 2007 within the framework of the original 200 million EUR 20 year loan, concluded on 30 June 2003.

This operation's aim is for the DSOs to be able to finance themselves at the following conditions:

If the difference between the 30 year interest (IRS30Y) and the 2 year interest (IRS2Y) is less than or equal to a predetermined barrier (0,10 % in this case), then the DSOs temporarily pay (each time for a six month period) the fixed LCMS interest rate (4,560 % in this case) increased with the difference between the barrier on the one hand and the difference (IRS30Y – IRS2Y) on the other hand, in which the difference is multiplied with a predetermined number, in this case the number 5. On the basis of these data the formula can be presented as follows:

If $IRS30Y - IRS2Y > 10bp$, then the DSOs pay the LCMS interest rate = 4,560 %

If $IRS30Y - IRS2Y \leq 10bp$, then the DSOs pay the LCMS interest rate + $5 \cdot [0,10 - (IRS30Y - IRS2Y)]$.

The operation described above enters into force on 30 June 2013, so that the first interest payment under these conditions will only take place on 31 December 2013 in relation to the period 30 June – 31 December 2013.

For the period from 1 July 2008 until 30 June 2013 it was agreed to pay the LCMS interest + 0.7 bp (4,567 %).

A second Linear constant maturity swap - (LCMS 2) was also entered into on 8 June 2007 within the framework of the original 220 million EUR 20 year loan, concluded on 31 December 2004.

This operation's aim is for the DSOs to be able to finance themselves at the following conditions:

If the difference between the 30 year interest (IRS30Y) and the 2 year interest (IRS2Y) is less than or equal to a predetermined barrier (0,10 % in this case), then the DSOs temporarily pay (each time for a six month period) the fixed LCMS interest rate (4,193 % in this case) increased with the difference between the barrier on the one hand and the difference (IRS30Y – IRS2Y) on the other hand, in which the difference is multiplied with a predetermined number, in this case the number 5. On the basis of these data the formula can be presented as follows:

If $IRS30Y - IRS2Y > 10bp$, then the DSOs pay the LCMS interest rate = 4,193 %

If $IRS30Y - IRS2Y \leq 10bp$, then the DSOs pay the LCMS interest rate + $5 \cdot [0,10 - (IRS30Y - IRS2Y)]$.

The operation described above enters into force on 31 December 2014, so that the first interest payment under these conditions will only take place on 30 June 2015 in relation to the period 1 January 2015 – 30 June 2015.

For the period from 1 January 2010 until 31 December 2014 it was agreed to pay the LCMS interest + 0,7 bp (4,200 %).

A third Linear constant maturity swap - (LCMS 3) was entered into on 10 April 2008 within the framework of the original 200 million EUR 20 year loan, concluded on 20 December 2004.

This operation's aim is for the DSOs to be able to finance themselves at the following conditions:

The normal interest remuneration is aligned to the agreed upon LCMS interest rate (3,9765 % increased with 43 bp in this case), it being understood that if the difference between the 30 year interest rate (IRS30Y) and the two year interest rate (IRS2Y) is less than or equal to a predetermined barrier (0,10 bp in this case), the DSOs pay a daily penalization which increases the fixed LCMS interest rate (3,9765 % + 43 bp in this case) with 200 bp. On the basis of these data the formula can be presented as follows:

If $IRS_{30Y} - IRS_{2Y} > 10bp$, then the DSOs pay the LCMS interest rate = 3,9765 % + 43 bp
If $IRS_{30Y} - IRS_{2Y} \leq 10bp$, then the DSOs pay the LCMS interest rate $(3,9765 \% + 43 bp) + (2,00 \% * n/N)$ in which n = the number of days in the observed period that the $[IRS_{30Y} - IRS_{2Y}]$ is quoted below the barrier and N = the number of days in the observed period.
The operation described above was applicable as of 31 December 2009, so that the first interest payment under these conditions took place on 30 June 2010 in relation to the period 31 December 2009 - 30 June 2010.

A fourth swap, "Bonus Range Accrual", was entered into on 24 March 2010 within the framework of the original 250 million EUR 20 year loan, concluded on 28 December 2006.
This loan, with an interest revision every five year, was concluded at an interest appropriated to the first period of five years of the ICAP IRS Ask Duration 20Y + 39 bp (4,447 %).
Through the constant maturity swap (CMS), it is possible to hold the rate until the expiration date at 4,18 %. Every day in the observed period, a comparison to the underlying reference (Euribor-12M.) is made. When the reference is between the predetermined limits being 1,00 % - 6,00 %, the DSOs will pay the CMS of 4,18 %. If the reference rate would occur outside these limits, the CMS on a daily basis +2 %, i.e. 6,18 % is charged.
The operation described above is applicable as of 28 December 2011, so the first interest payment due under these conditions will take place at the end of each interest period, i.e. every year. The first settlement will be on 28 December 2012.

A fifth contract of derivatives "Varifix" was entered into on 6 October 2010 within the framework of the original 250 million EUR 20 year concluded on 27 December 2007.
This loan, with an interest revision every five year, was concluded at an interest appropriated to the first period of five years of the IRS Ask Duration 20Y + 45 bp (5,016 %).
On the basis of concluding this contract the following change to the existing interest rate is made: the interest rate, applicable during the first interest rate period of five years, IRS Duration Ask 20Y + 45 bp will on 20 December 2012, the anticipated date of repricing the original loan, be replaced for the remaining 15 years by the convened fixed interest rate of 3,098 % + 45 bp, giving a total of 3,548 %.

A sixth contract, forward 5 years IRS swap was completed on 7 April 2011 within the framework of loans to be subscribed 30 June 2011 for an amount of EUR 300 million maturing over 5 years.
The loans were concluded on 30 June 2011 for EUR 150 million at 3,254 % and for EUR 150 million at 3,115 %.
The swap was effective on 30 June 2011 for a period of five years expiring on 30 June 2016.
On the basis of concluding this contract for five years an annual fixed rate of 3,108 % (no spread) is paid and an annual floating interest rate Euribor-12M is received. The interest is charged every year (Euribor fixing at the beginning of the period and interest payment at the end of the period). The Euribor-12M interest rate is determined every two days before the conversion of the Swap. The first fixing occurred on 6 June 2011 at a rate of 2,143 %.

25. Provisions

(In thousands of EUR)	Rehabilitation	Other	Total
Balance at 1 January 2010	48.065	754	48.819
Additions	800	0	800
Used	-3.080	-126	-3.206
Balance at 31 December 2010	45.785	628	46.413
Used	-914	-26	-940
Balance at 31 December 2011	44.871	602	45.473

The provisions comprise the obligations recognized for the rehabilitation of the former gas factories' grounds. The DSOs own several gas factory grounds on which soil and groundwater have been polluted in the past. Tackling this pollution has already started on a voluntary basis and a framework agreement with OVAM was concluded in 2001. Meanwhile, the number of such grounds has been reduced. In a new agreement with OVAM it will be determined what the spread in time, the budget, the order of priority and the modalities of execution of the works for rehabilitating the soil, and possibly other measures, will be.

A bank guarantee was given to OVAM for an amount of 6.856 kEUR in 2011 and 7.824 kEUR in 2010 within the framework of the transfer of a number of grounds, conforming to the applicable legislation.

The Group is working on possible sales of certain contaminated sites. In this context, several letters of intent were entered into with potential buyers.

On one of the grounds already sold, a rehabilitation duty still remains for an amount of 650 kEUR (see note 'Contingencies').

The addition to the provision for rehabilitation in 2010 concerned alleged additional costs to clean up grounds. The decrease of the provision was due to the use of (remediations and sales of grounds) and more concrete elements for the estimation of the clean-up costs.

The provision 'Other' relates to expenses for litigations with third parties and for treatment of polluting transformers based upon the management's best possible estimate of the expenses that the Group might incur.

The expected timing of cash outflow is dependent upon the duration and the settlement of the various procedures.

26. Trade payables and other current liabilities

(In thousands of EUR)	2011	2010
Trade debts	201.547	170.473
VAT and other taxes payable	9.795	9.387
Remuneration and social security	71.232	63.288
Advances Soclev clients and other	40.668	36.085
Other current liabilities	120.543	97.969
Total	443.785	377.202

The items related to trade and other current liabilities increased in 2011 with 31.074 kEUR to reach 201.547 kEUR.

The increase in 'Other current liabilities' with 22.574 kEUR was mainly the result of the increase of the accrued interest to reach 23.282 kEUR in 2011 compared to 17.636 kEUR in 2010 and the increase of solidarity costs related to the certificates for green energy (see note 'Trade and other receivables') to 29.607 kEUR in 2011 compared to 12.926 kEUR in 2010.

Regulated transfers (see chapter – 'Operating in a regulated environment') amount to 10.428 kEUR in 2011 and 582 kEUR in 2010.

The increase in debt is partially offset by the inclusion of credit notes for purchases of energy and the distribution tariff.

The liabilities' terms and conditions are as follows:

For the standard trade debts the average payment term amounted to 50 days after invoice date and for contractors 30 days after invoice date.

Debts for VAT and withholding tax are paid respectively 20 and 15 days after the end of the month. All debts are paid by the maturity date.

27. Current tax liabilities

This item contains the taxes payable amounting to 4.416 kEUR in 2011 and 2.208 kEUR in 2010.

28. Financial instruments: policy

It is the Group's intention to understand all risks separately, as well as their mutual connections, and to define strategies in order to manage the economic impact on the Group's results. The Audit Committee is responsible for reviewing the risk analysis, approval of the recommended risk management strategies, compliance with the guidelines on risk management and reporting.

Equity structure

The Group's equity structure consists of equity and the financial liabilities.

Apart from the legally required minimum levels for equity that are applicable, the mission charged companies are also subject to the Decree on Intermunicipal Cooperation. This decree stipulates that as of 2018 no Private Partner / shareholder can participate in the share capital of mission charged companies. At the end of 2011, the share of the Private Partner / participant in the share capital amounted to 253.306 kEUR and 657,438 kEUR at the end of 2010.

Within the Group long and short term financing has been called upon to support the working capital.

Significant accounting policies concerning financial instruments

The significant accounting policies for the different categories of financial instruments have been clarified in the accounting policies mentioned above (chapter 2.4 of the notes to the consolidated financial statements).

Determination of the fair value of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties that are independent in an arm's length transaction.

For the receivables and the liabilities the carrying amount has been considered to reflect the fair value.

Financial risk

The Group is primarily subject to the interest rate risk and the credit risk. The Group focuses on limiting the potential harmful impact on the Group's financial results to a minimum.

Interest rate risk

The Group has entered into long term loans with a variable interest rate. For these loans the variable interest rate has been changed into a fixed interest rate by means of swaps (see note 'Derivative financial instruments').

Credit risk

The credit risk comprises the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group pursues a credit policy whereby the credit risk is scrutinized and diversification of counterparties is necessary.

On the balance sheet date there was no important concentration of credit risks. The maximum credit risk is each financial asset's balance sheet value.

Market risk

The market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. In principle the market risk is composed of 3 types of risks, namely currency risk, interest rate risk and other price risks.

The Group is not essentially subject to currency risks, since it has almost no transactions in other currencies beside the euro.

Liquidity risk

The liquidity risk implies the risk that the Group will encounter difficulties in meeting its obligations associated with financial liabilities. The Group limits this risk by scrutinizing cash flows continually and by taking care that a sufficient number of credit facilities are available.

During 2010 Eandis has issued two bond loans aimed at private investors for the market in Belgium and the Grand Duchy of Luxembourg.

In October 2011 Eandis cvba obtained from Moody's Investors Service ('Moody's') for the first time an "A1" credit rating "with a negative outlook."

The A1 rating is based on the low risk of regulated companies for the distribution of electricity and gas in the Flemish energy market. The negative outlook of the rating of A1 for Eandis stems from the review by Moody's of the Aaa rating for the Flemish Region.

This rating will allow Eandis to diversify and broaden its funding sources to continue to ensure the safe, reliable, efficient and innovative distribution of energy to its customers.

Subsequently, Eandis successfully issued a first bond loan (500 000 kEUR) as part of its € 5 billion EMTN (Euro Medium Term Note) programme. This issuance follows a successful roadshow during which Eandis introduced its operations and financial strength to European institutional investors. The interest from European investors for the issuance was very large, as evidenced by the fact that the issue was more than twice oversubscribed, with 86 investors from 15 countries.

An overview of available and used credit facilities is included in the note 'Interest bearing loans and borrowings'.

29. Related parties

Transactions between the DSOs and their subsidiaries (the associated parties) have been eliminated in the consolidation process and are therefore not included in this note.

The remunerations paid to the directors are attendance fees and transport fees for an amount of 970.244,90 EUR for 2011 and 1.019.678,64 EUR for 2010.

The remunerations paid to the management committee and the directors of Eandis, De Stroomlijn and Indexis amounted to 3.624.020 EUR for 2011 and 3.765.762 EUR for 2010. The post-employment benefits included in the total remuneration mentioned amounted for 2011 to 299.239 EUR and 511.055 EUR for 2010.

There are no other benefits in kind, share options, credits or advances granted to the directors.

Transactions of the Group and the Private Partner/shareholder are mainly related to invoices from the DSOs for the network and transport remuneration at arm's length, sales of green energy certificates and dividend payments (up to the ratio in the capital). On the other hand, the DSOs are invoiced by the Private Partner/shareholder for the purchase of energy losses on the network, purchases of energy for the supply to social customers and purchases of services.

(In thousands of EUR)	2011	2010
Amount of the transactions		
Revenue	58.363	50.408
Purchase of trade goods and services	71.964	67.889
Amount of outstanding balances		
Trade receivables	3.711	4.935
Trade payables	8.891	7.887

Transactions of the Group and non-controlling interest companies (T.M.V.W., A.W.W. and Ores) were as follows:

(In thousands of EUR)	2011	2010
Amount of the transactions		
Recharge of costs to non-controlling interest companies	11.609	11.472
Recharge of costs from non-controlling interest companies	3.920	2.786
Amount of outstanding balances		
Trade receivables	928	621
Trade payables	1.253	1.293
Provide financing	2.100	2.100

Transactions of the Group and associated companies (Atrias) were as follows:

(In thousands of EUR)	2011	2010
Amount of the transactions		
Recharge of costs to associates	18	0
Recharge of costs from associates	124	0
Amount of outstanding balances		
Trade receivables	511	0
Trade payables	164	0

30. Contingencies

(In thousands of EUR)	2011	2010
Rent deposits, buildings	1.271	1.199
Other bank guarantees	7.379	8.330
Guarantees given	8.650	9.529
Guarantees obtained from contractors and suppliers	23.152	24.377
Goods held by third parties in their own name but at risk for the Group	114	131
Obligation to purchase property, plant and equipment	2.002	636
Obligation to sell property, plant and equipment	4.744	3.812
Goods in consignment	12	12
Obligation to rehabilitation	650	650
Lease received	15	0

Outstanding orders in 2011 amounted to 28.364 kEUR.

The Group has rented several buildings and adjoining parking lots for a total value of 4.997 kEUR in 2011 and 4.546 kEUR in 2010, as well as cars for a total value of 5.180 kEUR in 2011 and 5.386 kEUR in 2010.

The future rent obligations (operational rent obligations) concern buildings, vehicles and other materials.

The contracts relating to buildings contain renewal clauses and have an average term of two years.

The future minimum lease payments under non-cancellable finance leases are as follows.

(In thousands of EUR)	2011
In 2012	10.187
In 2013 and 2014	11.703
In 2015 and 2016	2.521
In 2017 and later	424
Total	24.835

The Group's budgeted investments for 2012 were estimated at 677.468 kEUR.

Furthermore, there is also a legal dispute ongoing between the DSOs and Essent concerning free distribution of green electricity (3.533 kEUR), with the NMBS and the Flemish Region on grid displacements (9.300 kEUR) and disputes with various parties (for a total of 21.830 kEUR).

IMEA is involved in a dispute with a property developer to sell the buildings and grounds "Minckelers" in Berchem (Antwerp). The developer had submitted a claim for damages amounting to 1,2 million EUR in principal. The Court of First Instance of Antwerp condemned IMEA to pay 1,6 million EUR (including interest and costs). The case is currently pending before the Court of Appeal in Antwerp. If the verdict of first instance is confirmed in the appeal procedure, Iveka and Intergem (for their part in ex-IGAO) will share in the compensation payable.

Eandis is indirectly involved in a litigation before the Court of First Instance of Leuven in relation to a claim made by the city of Tienen. The city of Tienen claims certain sums from the DSO Iverlek on the basis that such sums are due under dividend guarantee obligations that are binding. On 6 March 2012 the Court of First Instance of Leuven ruled unfavourably. Iverlek will appeal this verdict.

31. Events after the reporting date

At the end of 2011, the federal government implemented tax and pension reforms and announced measures to cope with the current difficult economic conditions.

The main tax changes include the limitation of the notional interest deduction, an increase of the withholding tax, an increase of the disallowed expenses on the benefit in kind for the use of company cars. The pension reform focuses on a longer career before one is entitled to a pension.

The Group follows up the legislation and further changes on the tax reform and evaluates the impact on its policy.

In March 2012 the shareholders of the Office Centre Rupelstreek, including Eandis, sold all of their shares in this office centre to the company Officenter. For Eandis, all 5.000 shares in this office centre were sold for a total amount of 515 kEUR, which represents a surplus value compared to the book value as per 31 December 2011. In the agreement with the buyer Officenter an additional payment to Eandis of 44 kEUR is foreseen in March 2016.

Eandis has entered into exploratory talks with several utility companies (e.g. from the water distribution and telecom branches) in order to assess the possibilities of structural synergies between parties. With this initiative Eandis wishes to increase the efficiency of works in the public domain and to actively contribute to a dynamic "less inconvenience" policy, with all due respect to the responsibilities of the municipal authorities.

The integration of Tecteo in Atrias had already been approved by Atrias' Board of Directors. This integration was ratified by the Extraordinary General Assembly of Atrias on 21 March 2012. It does not have an impact on the percentage of shares held by the Group.

The Boards of Directors of the DSOs have approved a reform of the governing bodies and a downsizing of the number of public mandates.

32. List of group entities included in the consolidation

Subsidiary	Registered office	Number of shares owned (%)	Voting rights (%)
Distribution System Operators *			
Gaselwest	President Kennedypark 12, 8500 Kortrijk		
IMEA	Merksemsesteenweg 233, 2100 Deurne		
Imewo	Brusselsesteenweg 199, 9090 Melle		
Intergem	Administratief Centrum (AC), Franz Courtenstraat 11, 9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, 2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, 3012 Wilsele-Leuven		
Sibelgas	Gemeentehuis St. Joost-Ten-Node, Werkhuizenkaai 16, 1000 Brussel		
Subsidiaries			
Eandis cvba	Brusselsesteenweg 199, 9090 Melle	100,00	100,00
De Stroomlijn cvba	Brusselsesteenweg 199, 9090 Melle	64,03	64,03
Indexis cvba	Ravensteingalerij 4 bus 2, 1000 Brussel	70,00	70,00
Atrias cvba	Ravensteingalerij 4 bus 2, 1000 Brussel	25,00	25,00

* Address of contact: Brusselsesteenweg 199, 9090 Melle

Operating in a regulated environment

Regulated tariffs

Most of the consolidated group's income is generated from the regulated tariffs charged for the use of the distribution networks for electricity and gas (tariff income). The tariff mechanism is based upon the accounts prepared in accordance with Belgian accounting principles (Be GAAP).

As from the accounting year 2009 a new regulated tariff mechanism is in force in which the tariff proposals for a 4 year period (2009-2012) were submitted to the regulator (Commissie voor de Regulering van de Elektriciteit en het Gas / CREG). The application modalities for this multi-annual tariff are to be found in the Royal Decree of 2 September 2008 (published in the Royal Gazette of 12 September 2008).

Only the accepted actual costs associated with the tasks of distribution system operator were covered by tariffs. The tariff revenues are based on a regulated 'cost-plus' system, including a fair remuneration.

The initially approved distribution tariffs for the regulatory period 2009-2012 were not able to support the unforeseen strong growth in the cost of green certificates and subsidies for rational use of energy (REU). An interim tariff adjustment starting from April 2011 until the end of 2012 was developed as to prevent a sudden increase in the distribution tariffs at the start of the next regulatory tariff period and to avoid the prefinancing by the DSOs.

The CREG approved this interim review of the tariffs to include the additional costs as from 1 April 2011.

Fair remuneration

The fair remuneration is the return on capital invested in the networks. The value of capital invested by the network operator on which a return is received, is equal to the value of the regulated assets. The regulated assets is the sum of the value of the network and of the working capital required. The regulated asset value is calculated each year, taking into account the new investments (Regulated Asset Base - RAB), the depreciations and the changes in working capital required.

The real fair remuneration for the operating year is determined on the basis of certain parameters (yield benefit and risk premium) on the one hand and the actual, averaged equation of the relevant year of operation between equity and the regulated asset base on the other hand (S-factor). In this calculation, the real OLO (as from 2010) and the S-factor based on the final balances are applied. The difference between actual and budgeted fair margin can be transferred.

Non-manageable costs and volume differences

The non-manageable costs are those costs over which the Group does not have direct control. The difference between the estimated and actual costs incurred may be included as an asset or debt and is included in a subsequent tariff period.

The difference between the real and the estimated sales volume of the budget can also be included in a subsequent tariff period.

The above differences result in an increase or a decrease in the future tariffs.

Manageable costs

The manageable costs are those costs over which the Group has direct control. The estimated cost should be recalculated annually on the basis of the actual calculated pricing index M and the wage and social security-related index S of the relevant operating year. According to the Royal Decree of 2 September 2008 the budgeted figures of 2009 are not to be recalculated.

The difference between the original and the recalculated budget for manageable costs is carried forward to the subsequent tariff period.

The difference between the estimated and actual manageable costs are part of the financial result and therefore in total (as a bonus or malus) attributed to the network administrator (see also note 'Shareholders'equity – available reserve').

The settlement mechanism

Each year the DSOs prepare an overview of the settlement of previous years. The differences (whether positive or negative) are, as mentioned above, recognized in the balance sheet as a current receivable or liability.

The CREG controls on an annual basis the balances of the latest year of operation. After the third year of the regulatory period (after 2011), the accumulated balances of the previous 4 years of operation will be controlled by the CREG (including the balance of 2008). The CREG advises the Energy Minister about the destination of the accumulated balances together with the annual report of the DSO over 2011. The destination of the accumulated balances will be decided after consultation within the Council of Ministers.

However, if the CREG considers that certain costs should be rejected, these costs must be deducted from the result (fair remuneration) of the next accounting year.

Where appropriate, the adjusted net result thus reflects the fair remuneration for the shareholders eligible for distribution.

For 2010 and 2011, the approval process with the CREG is ongoing but the Group does not expect significant adjustments.

Based on the current legislation, the outstanding balances as per 31 December 2012 can be settled (see Overview of the assets and liabilities – Recoverable in later years). As to the transfer of the tariff competency on distribution from CREG to VREG, some uncertainty still exists regarding the period during which such settlement will take place.

The next tariff period, which normally covers the years 2013-2016, will - according to the intentions of the federal government-, be characterized by the transition of the tariff competency on distribution from the federal to the regional government.

The draft legislation amending the law of 29 April 1999 concerning the organization of the electricity market and the law of 12 April 1965 concerning the transport of gaseous and other products through pipelines (1725/1-9), more specifically in Article 18, the federal regulator was granted the power to decide a prolongation as a transitional measure or any other measure which it deems appropriate in accordance with Article 12quater § 2.

Therefore, the DSOs have asked the CREG to consider - outside the current tariff procedure – the possibility to keep the tariffs of the Flemish DSOs for the years 2013 and 2014 at the same level as those approved for the year 2012.

Furthermore, they have also requested the CREG to suspend the decisions to be taken on the determination and destination in connection with the balances of previous years until the regional regulators are authorized and capable to take the necessary decisions in this respect.

The CREG was also asked, based on its expertise and in the context of continuity for the treatment of the concerned matter, to formulate a proposal on the treatment of balances to the authority that will become competent in the future.

Accounting treatment

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment but an 'exposure draft' was drawn up in 2009 that can confirm the settlement mechanism. If however this accounting treatment is not in accordance with future IFRS guidelines, the results and the equity might have to be adjusted.

Overview of the assets and liabilities of the settlement mechanism (see note 'Trade and other receivables' and 'Trade and other short-term liabilities').

(In thousands of EUR)	2011	2010
<u>Recoverable in 2009-2012</u>		
Transfer 2006	-1.061	-2.122
Transfer 2007	41.643	83.287
Transfer 2008	10.847	0
Transfer 2009	17.691	0
Transfer 2010	65.667	0
<u>Recoverable in later years</u>		
Transfer 2008	39.822	58.805
Transfer 2009	67.792	98.751
Transfer 2010	-10.844	104.074
Transfer 2011	89.230	0
Total amount recoverable	320.787	342.794
of which - Current liability	10.428	562
of which - Current assets	331.215	343.356
Total amount recoverable	320.787	342.794

Reconciliation of the settlement mechanism.

(In thousands of EUR)	2011	2010
Regulatory asset at 1 January	342.794	287.037
Additional transfers from 2009	0	-3.619
Additional transfers from 2010	0	104.074
Additional transfers from 2011	89.230	0
Total additional transfers	89.230	100.455
Recovered transfers from 2006	1.061	1.061
Recovered transfers from 2007	-41.643	-41.643
Recovered transfers from 2008	-8.135	0
Recovered transfers from 2009	-13.268	-4.116
Recovered transfers from 2010	-49.252	0
Total recovered transfers	-111.237	-44.698
Total movements	-22.007	55.757
of which - movement through the income statement	-22.007	55.757
Regulatory assets at 31 December	320.787	342.794

Free translation of the Dutch original

Report of the statutory auditor to the shareholders of the mixed Flemish distribution net owners on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2011.

We report to you on the performance of our audit mandate which was assigned to us by the management committee of Eandis CVBA. This report contains our opinion on the consolidated financial statements of the Economical Group Eandis which consists of seven mixed Flemish Distribution net owners (DNOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Verlek and Sibelgas who have a joint control over Eandis CVBA and its subsidiaries (De Stroomlijn CVBA, Indexis CVBA and Atrias CVBA).

Unqualified opinion on the consolidated financial statements, with emphasis of matter paragraph

We have audited the consolidated financial statements of the Economical Group Eandis (collectively referred to as 'the Group') for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 8.187.692 thousands and the consolidated statement of income shows a profit for the year, share of the Group, of € 296.201 thousands.

Responsibility of the management committee of Eandis CVBA for the preparation and fair presentation of the consolidated financial statements

The management committee of Eandis CVBA is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit report dated 25 April 2012 on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2011

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the management committee of Eandis CVBA and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

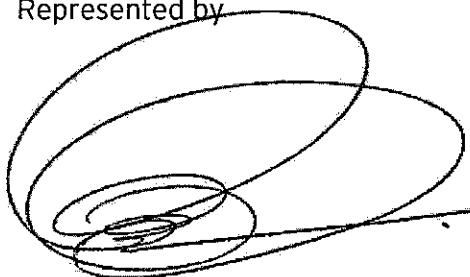
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the Group's financial position as at 31 December 2011 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Audit report dated 25 April 2012 on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2011

Without qualifying our opinion, we wish to draw the attention to the information, included in the notes of the consolidated financial statements, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the final balances resulting from the tariff settlement mechanisms which still are to be approved by the responsible authorities.

Ghent, 25 April 2012

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
Represented by

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Jan De Luyck
Partner

Ref: 12JDU0115

Economic group EANDIS
Consolidated IFRS Financial Statements
for the year ended 31 December 2012

Consolidated income statement

(In thousands of EUR)	Notes	2012	2011
Operating revenue		2.906.762	2.837.989
Revenue	3	2.190.528	2.127.459
Other operating income	3	53.054	44.986
Own construction, capitalized	3	663.180	665.544
Operating expenses		-2.399.987	-2.339.351
Cost of trade goods	4	-924.997	-861.511
Cost for services and other consumables	5	-741.065	-671.469
Employee benefit expenses	6	-438.800	-439.531
Depreciation, amortization, impairments and changes in provisions	7	-261.925	-283.033
Other operational expenses	8	-77.390	-61.800
Regulated transfers	9	44.190	-22.007
Result from operations		506.775	498.638
Finance income	10	2.648	2.462
Finance costs	10	-205.789	-206.462
Profit before tax		303.634	294.638
Income tax expenses	11	-3.977	1.563
Profit for the period		299.657	296.201

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2012	2011
Actuarial gain (loss) on post employment employee benefits	23	-105.627	-52.570
Other comprehensive income		-105.627	-52.570
Profit for the period		299.657	296.201
Total comprehensive income for the period		194.030	243.631

Consolidated balance sheet

(In thousands of EUR)	Notes	2012	2011
Non-current assets		7.501.636	7.238.756
Intangible assets	12	76.101	42.726
Property, plant and equipment	13	7.421.186	7.191.420
Investments in an associate	14	5	5
Other investments	15	988	1.102
Long term receivables	16	3.356	3.503
Current assets		1.200.793	948.936
Inventories	17	38.294	32.166
Trade and other receivables	18	1.152.161	899.128
Current tax assets	19	3.497	11.678
Cash and cash equivalents	20	6.841	5.964
TOTAL ASSETS		8.702.429	8.187.692
EQUITY	21	2.784.185	2.815.724
Total equity attributable to owners of the parent		2.783.106	2.814.645
Capital		1.924.415	1.924.415
Reserves		497.952	446.915
Other components of equity		-264.102	-158.475
Retained earnings		624.841	601.790
Non-controlling interest		1.079	1.079
LIABILITIES		5.918.244	5.371.968
Non-current liabilities		4.626.092	4.516.173
Interest bearing loans and borrowings	22	3.847.136	3.827.775
Employee benefit liability	23	584.768	498.166
Derivative financial instruments	24	163.453	142.443
Provisions	25	28.450	45.473
Other non-current liabilities		2.285	2.316
Current liabilities		1.292.152	855.795
Interest bearing loans and borrowings	22	771.774	407.593
Government grants	26	609	0
Trade payables and other current liabilities	27	519.685	443.786
Current tax liabilities	28	84	4.416
TOTAL EQUITY AND LIABILITIES		8.702.429	8.187.692

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Other comprehensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2011	2.318.370	390.891	-105.905	590.194	3.193.550	1.071	3.194.621
Total comprehensive income for the period	0	0	-52.570	296.201	243.631	0	243.631
Share capital decrease	-409.332	0	0	0	-409.332	0	-409.332
Share capital increase	15.377	0	0	0	15.377	0	15.377
Change in consolidation scope	0	0	0	0	0	8	8
Addition/decrease reserves	0	56.024	0	-56.024	0	0	0
Dividends paid	0	0	0	-228.581	-228.581	0	-228.581
Balance at 31 December 2011	1.924.415	446.915	-158.475	601.790	2.814.645	1.079	2.815.724
Total comprehensive income for the period	0	0	-105.627	299.657	194.030	0	194.030
Addition/decrease reserves	0	51.037	0	-52.581	-1.544	0	-1.544
Dividends paid	0	0	0	-224.025	-224.025	0	-224.025
Balance at 31 December 2012	1.924.415	497.952	-264.102	624.841	2.783.106	1.079	2.784.185

The above information is disclosed in the notes 'Equity' and in the notes 'Employee benefit liability' as regards the 'other comprehensive income'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2012	2011
Profit for the period		299.657	296.201
Amortization of intangible assets	7, 12	23.868	12.419
Depreciation on property, plant and equipment	7, 13	282.358	273.324
Change in provisions (Reversal -; Recognition +)	7, 25	-17.023	-940
Impairment current assets (Reversal -; Recognition +)	7	-27.277	-1.770
Gains or losses on realization receivables	3, 8	26.548	12.545
Net finance costs	10	182.294	146.753
Change in fair value of derivative financial instruments	10	21.010	57.248
Gains or losses on sale of property, plant and equipment	3, 8	45.785	45.756
Movement in government grants	26	-163	0
Income tax expense	11	3.977	-1.563
Operating cash flow before change in working capital and provisions for employee benefits		841.034	839.973
Change in inventories	17	-6.128	-4.076
Change in trade and other receivables		-251.957	-110.716
Change in trade payables and other current liabilities		75.199	59.390
Change in employee benefits	23	-19.025	-16.435
Net operating cash flow		-201.911	-71.837
Interest paid		-183.751	-140.209
Interest received		307	398
Financial discount on debts	10	1.762	1.865
Income tax paid		-128	-6.956
Net cash flow from operating activities		457.313	623.234
Proceeds from sale of property, plant and equipment		1.988	517
Purchase of intangible assets	12	-57.243	-33.529
Purchase of property, plant and equipment	13	-561.441	-585.060
Net investments	14, 15	-9	-15
Proceeds from sale of other investments		515	0
Net investments in long term receivables		-21	-160
Receipt of a government grant		618	0
Net cash flow used in investing activities		-615.593	-618.247
Proceeds from issue of shares	21	0	15.385
Repayment of share capital	21	0	-409.332
Repayment of borrowings	22	-151.719	-91.990
Proceeds from borrowings	22	0	325.000
Proceeds from bonds/borrowings	22	677.650	497.570
Change in current liabilities	22	-142.718	-124.404
Transfer of guarantee for allotments		-31	0
Dividends paid	21	-224.025	-228.581
Dividends received	10, 15	0	160
Net cash flow from/used in financing activities		159.157	-16.192
Net decrease in cash and cash equivalents		877	-11.205
Cash and cash equivalents at the beginning of the period		5.964	17.169
Cash and cash equivalents at the end of the period		6.841	5.964

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1. Reporting entity

The consolidated financial statements comprise – beside the accounts of the 7 mixed Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the operating company Eandis cvba, and its subsidiaries De Stroomlijn cvba, Indexis cvba, Atrias cvba and SYNDUCTIS cvba. The aggregated accounts taken together form the 'Group'. The DSOs are being managed centrally.

The statutory aim of the DSOs is the distribution system operation as understood by the Electricity and Gas Decrees and their execution resolutions, as well as carrying out each peripheral activity, such as public lighting. These activities are subject to the regulation by the Commission for the Regulation of Electricity and Gas (CREG). For more information, see chapter "Operating in a regulated environment".

As stipulated in the bylaws, other activities can be carried out such as energy services to local authorities (ESLA). On request of the local public authorities Eandis offers support at cost price on planning and implementation in their local policy on energy through efficient measures and projects.

The companies IMEA, Imewo, Intergem, Iveka and Iverlek are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001) and the companies Gaselwest and Sibelgas are intermunicipal associations under the form of cooperative societies with limited liability.

Eandis cvba was active in 234 cities and municipalities and employed, together with its subsidiaries, on average 4.775 persons during 2012.

2. Summary of significant accounting policies

2.1. Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Community on 31 December 2012. The Group has not applied new IFRS requirements that are effective after 2012.

The consolidated financial statements were expressed in thousands of euro, which is the functional currency and presentation currency of the Group. They have been prepared with the assumption that business activities will be continued and under the historical cost convention method unless otherwise stated.

2.2 Principles of consolidation

The consolidated financial statements comprise all subsidiaries over which the Group has control. There is control when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Such a form of control exists when the DSOs, directly or indirectly, hold more than half of the voting rights in the entity. The existence and impact of potential voting rights that were exercisable or convertible at that time, are being taken into consideration when judging whether the Group has the control to determine the financial and operating policies of another entity.

Subsidiaries have been fully consolidated as of the date on which the Group gained actual control until the date the Group no longer exercises such control.

The financial reporting of the subsidiaries is prepared for the same reporting year as that of the parent companies, using consistent accounting principles. All intercompany transactions, balances and unrealized gains and losses between group companies have been eliminated.

Non-controlling interest in the net assets of the consolidated subsidiaries has been individually reported in equity of the parent companies. Non-controlling interest consists of the amount of that interest at the acquisition date and the non-controlling share in the equity changes since the date of the business combination. Losses relative to the minority that are higher than the non-controlling interests in the subsidiary's equity have been allocated to the Group's interests with the exception of those cases in which the minority has a binding obligation to make additional investments to compensate for the losses and is able to do so.

A list of the subsidiaries of the Group is set out in note 'Group entities'.

2.3 Segment reporting

The Group does not distinguish between different segments, neither at the level of activities, nor geographically, since the Group generates income from a sole activity, i.e. distribution network management (electricity and gas) in Flanders.

2.4 Significant accounting policies

The applied accounting policies are in line with last year's accounting principles.

a) Operating income

Goods sold and services rendered

Revenue from sale of goods has been recognized when all of the following conditions have been satisfied: the Group transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither the continuing managerial involvement nor effective control over the goods sold; the amount of revenue can be determined reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and costs incurred or to be incurred in respect of the transaction can be measured reliably.

On the basis of the previously mentioned principles the sale of goods and the rendering of services has been recognized at the moment of delivery of the goods to the customer, of the customer accepting the goods and of the collectability of the related amounts.

Distribution network remuneration (energy transport) – Social function (energy supply)

The distribution grid revenue (grid fee) is based on the actual billing of the grid fee of the DSOs in the relevant year.

The billing of grid fee to energy suppliers and other DSOs is based on the tariffs approved by the CREG that are published on the websites of the respective DSOs. The real grid fee invoice contains invoiced advances (for customers whose meter is recorded annually), settlement billing (from annually recorded, manual monthly recorded and remotely read access points) as well as rectification invoices recorded in the concerned calendar year.

Interest income is recorded as soon as acquired and for the period to which it relates (taking into account the asset's actual interest rate), unless there is doubt about its collectability.

Dividends received are recognized in the income statement at the moment they are granted.

Government grants are recognized in the balance sheet as soon as it is reasonably certain that the grant will be received and that all of the conditions attached to it will be complied with.

Grants related to an asset are included in government grants and will be recognized in the income statement on a systematic basis over the expected useful life of the related asset.

Grants related to expenses are presented in the income statement as other operating income in the same period in which the costs are included.

b) Expenses

All interests and other incurred costs relating to loans or other financial transactions such as hedging options are recognized as finance costs when they occurred.

The finance costs include interest on loans, calculated using the effective interest rate method and bank charges. All interest and other costs incurred in connection with loans or other financial transactions such as hedging options are recognized as financial expenses when they occur.

The income tax of the year comprises the tax charge payable. The tax on profit is recognised in the income statements. The current tax expenses are the expected current taxes payable on the taxable income for the year, based on tax rates in effect at the balance sheet date and any adjustment to current taxes payable from previous years.

c) Intangible assets

Intangible assets are measured at cost less any accumulated amortizations and impairment losses.

Costs relating to research, which is carried out with the purpose of obtaining new technical knowledge and insights, are recognized in the income statement in the period in which they occur.

Costs relating to the development phase, in which knowledge obtained through research is applied in order to achieve a plan or design for the production of new or significantly improved products and processes, are included in the balance sheet if and only if the product or process was technically and commercially feasible, the entity has the necessary resources to complete the development, it is probable that future economic benefits will flow into the Group and the cost can be measured reliably. The capitalised amount includes all costs that are directly attributable to the creation, production, and the preparation of the asset, so that it could operate in the same manner as intended by the management.

Intangible assets with a finite useful life are amortized on a straight-line basis over their expected useful life. Another amortization method is only used if the expected pattern of consumption of the future economic benefits of the asset was better reflected.

Intangible assets are not revalued.

When the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The following amortization percentages are used in the calculation of depreciation:

Software	20,00 %
Cost for smart meters, smart grid, smart users and clearing house	20,00 %

d) Property, plant and equipment

Property, plant and equipment are measured at historical cost less third party contributions, the accumulated depreciations and impairment losses. The historical cost comprises the initial purchase price plus other directly attributable costs.

The cost price of assets of own-production comprises the cost of material, direct labour cost and a reasonable part of indirect labour costs. These indirect labour costs comprise that part of general administrative and operational costs that cannot be directly attributed to investment expenses. These costs (for the largest part personnel costs) are added to the cost price of investment projects according to the internal billing system.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item can be depreciated separately.

The Group recognizes the cost of an expansion or replacement part of such asset when these costs have been incurred if it is probable that the future economic benefits associated to that asset will flow to the Group and the asset's cost can be measured reliably. All other costs are expensed as incurred.

Depreciation is recognized in profit or loss on a straight-line basis as of the date of bringing into use and over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages on the basis of the average useful life as approved by the CREG are as follows:

Administrative buildings	2,00 %
Networks and lines	2,00 %
Other distribution installations	3,00 %
Optical fibre	10,00 %
Electronic metering equipment	10,00 %
Office furniture and tools	10,00 %
Vehicles	20,00 %
Hardware	33,33 %
Test equipment EVA (Electronic vehicles in action)	50,00 %

In the opening balance sheet as per 1 January 2007 the Belgian GAAP carrying amount, as accepted by the CREG, was taken as the opening value for IFRS.

Repair and maintenance costs that do not increase the future economic benefits, are recognized in the income statement as incurred.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is at its location and in the condition necessary for it to function in the manner intended by management.

Gains and losses on sale

Any gain or loss arising on derecognition of property, plant and equipment is included in the income statement. They are recognized when the significant risks and rewards of ownership have been transferred to the buyer, collectability of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment.

Leasing

Lease of assets under which all the risks and rewards incidental to ownership are substantially retained by the lessor, is classified as operating lease.

Lease payments based on operating leases are expensed on a straight-line basis, unless another systematic method is more representative of the time pattern of the benefits for the user.

Impairment

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the group estimates the asset's recoverable amount.

Impairment has been recognized if an asset's carrying amount exceeds the recoverable value. Impairment is charged directly to the income statement.

e) Investments

All investments are accounted for at trade date.

Investments in equity instruments consist of interests in entities in which the Group does not have significant influence or control. This is the case in companies where the Group has less than 20% of the voting rights. Such investments are designated as financial assets available for sale and are at initial recognition measured at fair value unless the fair value cannot be reliably determined in which case they are measured at cost.

An impairment is recognized if the carrying amount exceeds the expected realizable value.

Options and warrants for the purchase of shares have been recognized at fair value. The fair value for the options and warrants was determined using the Black-Scholes model. Changes in fair value have been recognized in profit or loss.

f) Inventories

Inventories have been measured at purchase cost. Their value has been determined using the moving weighted average method.

An impairment is carried out on inventories if, due to their obsolescence, they are no longer usable or if their carrying amount exceeds their estimated sales price. If items of inventory have not been used for more than one year, an impairment of 100 % is recorded.

This impairment loss is recognized as an expense in the income statement.

g) Trade and other receivables

Trade and other receivables are measured at amortized cost.

An allowance for impairment is established if the collection of the receivable becomes doubtful and after comparison with the realizable value. If a receivable is expected to be no longer collectible or if the collection costs exceed the amount of the receivable, the receivable is derecognized utilizing the allowance that was recognized for that purpose.

Construction works for third parties have been stated at cost price. The cost price comprises all expenses directly related to specific projects and a surcharge of the fixed and variable indirect costs incurred related to the Group's contract activities based on a normal production capacity.

Receivables in relation to construction works carried out on behalf of third parties, with the exception of damage claims and receivables on communities which have expired for more than 6 months, are regarded as doubtful. Therefore a write-down of 100 % (excluding VAT) has been recorded.

In the framework of the full liberalization of the energy market in Flanders as per 1 July 2003, an impairment loss was recognized for the total amount including VAT of all receivables as per 31 December 2003, older than 6 months. These provisions have been reversed in view of the collection of these receivables or they have been used whenever these receivables have no longer been reported in the balance sheet.

The receivables from energy supplies within the framework of the Distribution System Operators' social public service obligations (SPSO) are recognized in the balance sheet at nominal value. These receivables are considered as doubtful if they have not been paid after expiry date in the following cases: bankruptcy, judicial settlement and judicial procedure. Impairment losses of 100 % (excluding VAT) have been recognized for receivables below a limit to be fixed by the Board of Directors and for 80 % (excluding VAT) for all other cases.

For all other SPSO receivables an impairment loss of 100 % of the amount receivable (excluding VAT) has been recognized, if they are older than 1 year and have not been included in an agreed repayment plan. These receivables are recorded as doubtful.

h) Cash and cash equivalents

Cash and cash equivalents comprise the readily available cash resources, deposits that can be immediately withdrawn and other short term, highly liquid investments (with a maximum maturity of three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are stated at face value, which approximates their fair value. For the purpose of the cash flow statement, they are presented as cash and cash equivalents.

i) Share capital

The share capital is represented by certificates C, shares A, C, D and F and the shares/certificates E" and E without nominal value. Together with the shares/certificates C they are entitled to a dividend.

The shares A, C, D and F have voting right; the certificates C, the shares/certificates E" and E do not have voting rights.

The profit is paid proportionally to the shares A or C and the certificates C after setting up the necessary reserves and after paying the remuneration for the F shares and the shares/certificates E” and E according to the reimbursement rate stipulated in the bylaws.

Dividends are recognized as a liability in the period in which they have been approved.

If there are components of the results that are the consequence of elements originating in the captive period (before 1 July 2003) and that would have affected the outcome of the relevant period, then this part of the result is assigned to the participants according to the terms as were applicable with respect to the distribution of net profit realized in the years preceding the first effects of liberalization.

j) Loans and borrowings

Interest bearing loans are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost, in which any difference between the proceeds and the reimbursement is charged to the income statement using the effective interest method over the maturity of the loans.

k) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred, including possible deficits to the minimum guaranteed return.

The Group's liabilities for the defined benefit plans, as well as for the subsequent costs, have been valued on the basis of the “Projected Unit Credit” method. The amount recognized in the balance sheet represents the present value of the pension liabilities (Defined Benefit Obligation) mentioned, less the past service costs which have not yet been recognized and the fair value of plan assets.

Past service costs as a result of the introduction of or changes in defined benefit plans have been expensed linearly over the average period until the benefits become vested. To the extent that the benefits vest immediately, past service costs have been recognized immediately.

The actuarial gains and losses have been recognized immediately in equity (statement of recognized income and expenses) and they do not affect the income statement.

The amount recognized in the income statement comprises the service costs allocated to the accounting year, the interest costs, the expected return on plan assets (as a negative component), the possible past service costs as well as the effect of possible curtailments and settlements.

Other long term employee benefits

These benefits are treated in the same manner as pension plans; however, past service costs and actuarial gains and losses have been immediately recognized in the income statement.

l) Derivative financial instruments

The Group uses derivative financial instruments (Linear Constant Maturity Swap – LCMS; Interest Rate Swaps - IRS and other) to hedge the exposure to interest rate risks that arise from its financing activities. Derivative financial instruments are initially recognized at fair value. The gain or loss resulting from fluctuations in the fair value is immediately accounted for through the income statement. The fair value of the interest rate swaps was the estimated amount the Group would receive or pay to end the swap at the balance sheet date, taking into account the actual interest rate and the creditworthiness of the counterparty.

The derivatives do not qualify for hedge accounting.

m) Provisions

Provisions are recognized in the balance sheet when the Group has a present (legal or constructive) obligation as a result of a past event, and when it is probable that an outflow of financial resources will be required to settle the obligation and the obligation's amount can be reliably estimated.

The amount recognized as provision is the best available estimate on the balance sheet date for the expenses needed to meet the existing liabilities, possibly discounted if the money's time value is relevant.

n) Trade and other liabilities

Trade and other liabilities have been measured at amortized cost.

o) Income tax expense

Taxes on the accounting year's result comprise current taxes. These taxes comprise the expected tax liability on the taxable income of the year and adjustments to the tax liabilities of prior years. For the calculation of these income taxes, the tax rates used, are those enacted (or substantially enacted) at the end of the reporting period.

The DSOs are subject to the private entity tax only for that part of the dividends that is allocated to the Private Partner/shareholder. Eandis and its subsidiaries are subject to the corporation tax.

Current tax assets and liabilities are offset only if the entity has a legally enforceable right to set off the recognized amounts and has the intention to either settle the obligation on a net basis, or to realize the asset and settle the liability simultaneously.

2.5 Summary of the changes in accounting policies

The following Standards became applicable for the annual period on 1 January 2012.

Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)

2.6 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that might affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses. The estimates and the underlying assumptions have been based on past experience and several other factors that are believed to be reasonable given the circumstances. The results thereof form the basis for the judgment on the carrying amount of assets and liabilities that could not be deduced in a simple way from other sources. The actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments is processed in the note relating to 'Employee benefit liability' and 'Derivative financial instruments'.

2.7 Standards issued but not yet effective

The following new standards and interpretations were published, but were not yet applicable for the annual period beginning on 1 January 2012.

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
This standard was issued in the framework of a wider project to replace IAS 39. IFRS 9 prevents but simplifies the mixed valuation model and suggested two primary valuation classes for financial assets: amortized cost and fair value.
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014) establishes a single control model whereby the concept of control is a deciding factor to assess if an entity should be included in the consolidated financial statements of the parent.
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014) establishes principles for the financial reporting by the parties of a joint control and removes the method of proportionate consolidation by the equity method

- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014): disclosures of information for all kind of minority interests, including joint arrangements, associates, special purpose entities and other off balance sheet entities.
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013) does not introduce any new requirements for fair value measurement, but rather offers a definition of fair value and guidance on how to measure and report fair value in IFRS.
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012) requires the grouping of items that could and could not be reclassified in the other comprehensive income to the income statement.
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
The change that will have the largest effect is expected to be the derecognition in profit or loss of the expected return on plan assets. This is replaced by the recognition of a net benefit expense in the income statement, calculated on the basis of the discount rate, also used for discounting the pension obligation.
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

The Group will apply the new standards and interpretations applicable to its financial statements as soon as they become effective. The Group has not opted for early application of these standards and interpretations.

The adoption of these standards, interpretations and amendments to the standards already issued and their impact on the Group's results are currently being assessed.

3. Operating revenue

Revenue

(In thousands of EUR)	2012	2011
Distribution and transport grid revenue	2.016.688	1.979.950
Sale of energy	101.338	87.800
Construction works for third parties	65.991	52.332
Other sales	6.511	7.377
Total	2.190.528	2.127.459

The Group has realized most of its revenue from the remuneration of the distribution and transport of electricity and gas via its **networks**. This revenue should be evaluated together with the regulatory transfers.

The **sale of energy** consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems.

The billing of **construction works for third parties** comprises the construction works carried out by Eandis (possibly in synergy with other utilities) for the account of customers.

The **other sales** mainly comprise the revenue from costs billed for studies, combined heat and power projects and others.

On 12 July 2012 the Constitutional Court pronounced a judgment whereby the Flemish Decree of 23 December 2010 was adjourned. As a result, the DSOs may again charge the injection rates to the energy producers concerned and also the retro activity is allowed. The Flemish mixed DSOs therefore charge the injection rates (large plants) as from 1 February 2011 on the invoices from the month of September 2012. The additional revenue for the period from February 2011 to June 2012 amounts 7.808 kEUR.

Other operating income

(In thousands of EUR)	2012	2011
Recuperations	39.364	29.318
Other	13.690	15.668
Other operating income	53.054	44.986
Own construction, capitalized	663.180	665.544

The **recuperations** relate to billings for work performed for customers, the re-invoicing of costs for campaigns for Rational Use of Energy (RUE) and recovery of general expenses by contractors, insurance and other authorities.

The **other** operating income mainly comprises allowances for damages and operations, gains on trade receivables (439 kEUR for 2012 and 418 kEUR for 2011) and gains on the sale of property, plant and equipment (693 kEUR for 2012 and 343 kEUR for 2011).

All costs related to distribution activities have been registered as operational cost. Periodically, a settlement has been recorded and certain of these costs related to investments have been activated through the item **own construction, capitalized**. As a result, this revenue cannot be considered as an operating income.

This item also contains the contributions received from customers (112.892 kEUR for 2012 and 108.267 kEUR for 2011) which are also deducted as own construction, capitalized (-112.892 kEUR for 2012 and -108.267 kEUR for 2011).

4. Cost of trade goods

(In thousands of EUR)	2012	2011
Cost for transportation	384.722	387.786
Purchase of energy	52.724	44.614
Purchase of goods for resale	144.223	158.526
Purchase of grid losses	33.065	36.320
Certificates for green energy	310.263	234.265
Total	924.997	861.511

The cost for transportation includes the expense of the federal contribution amounting to € 104 million for 2012 and € 136 million for 2011. This contribution is used to finance certain public service obligations, the obligations for denuclearisation, the reduction of emissions of greenhouse gases (Kyoto) and the costs relating to the regulation and control of the electricity market.

The DSOs charge these costs in their tariffs to the end users, being the suppliers (cascade mechanism).

The Group has the obligation to buy certificates for green energy that were offered at a certain price. These certificates can be sold in an active market. The value of the sold certificates is lower than the purchase price. The resulting costs were included under the heading 'Certificates for green energy'. The sale of certificates for 2012 was amended (see note 'Trade and other receivables').

5. Cost for services and other consumables

(In thousands of EUR)	2012	2011
Cost of purchase network grids	340.046	330.419
Cost for direct purchases	49.409	37.373
Fee for usage of installations	37.885	28.376
Advertising, information, documentation, receptions a.o.	13.484	14.747
Subsidy for rational use of energy (RUE)	56.745	46.318
Contribution 100 kWh free of charge	104.100	91.688
Contracts and administration costs	6.519	5.146
Consultancy and other services	78.016	66.261
Other	54.861	51.141
Total	741.065	671.469

The cost for services and other consumables has increased with 69.596 kEUR compared to 2011.

This increase is mainly due to the increase of the costs related to the contribution 100 kWh free of charge (12.412 kEUR), the cost for direct purchases (12.036 kEUR) and the consultancy and other services (11.755 kEUR).

The item 'Other' comprises the cost for rent, communication, transport, insurance, seminars and other.

6. Employee benefit expenses

(In thousands of EUR)	2012	2011
Remunerations	261.448	259.015
Social security contributions	71.981	75.847
Contributions to defined benefit plans and other insurances	86.247	86.825
Other personnel costs	19.124	17.844
Total	438.800	439.531

The employee benefit expenses amounted to 438.800 kEUR in 2012, a decrease of 731 kEUR compared to 2011. The other personnel costs include additional allocations to pension funds. The contributions paid to defined contribution plans amounted to 3.471 kEUR in 2012 and 3.077 kEUR in 2011.

The average number of employees (in full time equivalents) amounted to 4.775 persons in 2012.

7. Amortization, depreciation and impairments (on current and non-current assets), changes in provisions

(In thousands of EUR)	2012	2011
Amortization of intangible assets	23.868	12.419
Depreciation of property, plant and equipment	282.357	273.324
Total amortization and depreciation	306.225	285.743
Impairment of inventories and trade receivables	-27.277	-1.770
Changes in provisions	-17.023	-940
Total	261.925	283.033

The amortization on tangible assets increased with 11.449 kEUR mainly as a result of the investment in the projects smart metering and smart grids.

The depreciation on property, plant and equipment increased with 9.033 kEUR due to the continuous investments mainly in installations, machinery and equipment (see note 'Property, plant and equipment').

The decrease in the impairment of inventories and trade receivables mainly concerns the impairment on receivables of social receivables (see note 'Financial instruments –credit risk') offset by a write back due to adjustments in the past. These proceeds were recorded as an expense in the note 'Other operating expenses' under the heading 'Loss on realization receivables'.

The change in provisions mainly concerns the provision for rehabilitation costs which amounted to 17.017 kEUR for 2012 and 914 kEUR for 2011 (see note 'Provisions, other').

The decrease of the provisions was due to the use (rehabilitation and sale of land) and more specific elements which could reduce the provision of the rehabilitation cost.

8. Other operational expenses

(In thousands of EUR)	2012	2011
Loss on disposal/retirement of property, plant and equipment	46.477	46.099
Loss on realization receivables	26.987	12.963
Other	3.926	2.738
Total	77.390	61.800

9. Regulated transfers

Since 2011 the Group reports the additions, recoveries and regularisation for transfers in this separate section as 'Operating expenses', where previously they were reported as 'Revenue'.

The Group believes that the balance between actual income and expenses and the budgeted income and expenses is not part of revenue, since the recovery through tariffs will occur in a subsequent period.

The regulated transfers for 2012 and 2011 are as follows:

(In thousands of EUR)	2012	2011
Addition transfers	-178.978	-89.230
Recuperation transfers	134.788	111.237
Total	-44.190	22.007

The revenue of the items additions, recoveries and regularisation transfers relate to the additional revenue registration that is allowed as the difference between the actual income and expenses and the budgeted income and expenses as approved by the CREG. The result thus additionally reported will be recuperated through the tariffs of the following years (see chapter "Operating in a regulated environment").

The increase in the item 'Recuperation transfers' with 23.551 kEUR is mainly due to an interim adjustment of the tariffs from April 2011 onwards. The initially approved distribution tariffs for the regulatory period 2009-2012 were not able to cover the unforeseen strong growth in the cost of green certificates and subsidies for rational use of energy (RUE). The CREG approved the tariff adjustment so as to prevent a sudden increase in the distribution tariffs at the start of the next regulatory tariff period and to avoid the prefinancing by the DSOs.

10. Financial results

(In thousands of EUR)	2012	2011
Interest income, banks	80	154
Other financial income	2.568	2.308
Finance income	2.648	2.462
Interest expenses, non-current loans	182.811	144.612
Interest expenses, current loans and other borrowings	1.392	4.517
Interest expenses, derivative financial instruments	21.010	57.248
Other financial expenses	576	85
Finance costs	205.789	206.462

The finance costs increase as a result of interest expenses on current and new loans especially on long term, and with banks and others. Interest expenses were also recorded for the fair value recognition of derivative financial instruments.

The other financial income contains mainly financial discounts received and income from government grants.

11. Income tax

(In thousands of EUR)	2012	2011
Tax expenses on current year result	3.783	4.177
Tax expenses on previous year result	194	-5.740
Total	3.977	-1.563

(In thousands of EUR)	2012	2011
Profit before tax	303.634	294.638
Theoretical tax rate (1)	103.205	100.147
Specific tax regime DSOs (2)	-102.980	-102.019
	225	-1.872
Effect not deductible expenses	4.578	4.435
Effect deductible expenses	-7.984	-8.876
Usage of fiscal loss carried forward	3.661	6.547
Private entity tax DSOs on dividends for the private partner/shareholder	3.303	3.943
Total income tax expenses	3.783	4.177

(1) Subject to the legal Belgian tax rate of 33,99 %

(2) The DSOs are only taxable on that part of the amount that is allocated as a dividend to their Private Partner/shareholder for the gas activity. This dividend tax is calculated at the 15,45 % rate.

Although there are important differences between the statutory annual accounts according to Belgian GAAP and the consolidated IFRS accounts, no deferred taxes have been reported. As the DSOs are subject to the legal entity tax, which is only applicable on dividends paid out to third parties (non-public authorities), the differences therefore do not result in deferred taxes.

12. Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Cost at 1 January 2012	15.546	62.095	77.641
Acquisitions	0	57.243	57.243
Cost at 31 December 2012	15.546	119.338	134.884
Depreciation and impairment at 1 January 2011	15.546	19.369	34.915
Depreciation	0	23.868	23.868
Depreciation and impairment at 31 December 2012	15.546	43.237	58.783
Net book value at 31 December 2012	0	76.101	76.101

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Cost at 1 January 2011	15.546	28.566	44.112
Acquisitions	0	33.529	33.529
Cost at 31 December 2011	15.546	62.095	77.641
Depreciation and impairment at 1 January 2011	15.546	6.950	22.496
Depreciation	0	12.419	12.419
Depreciation and impairment at 31 December 2011	15.546	19.369	34.915
Net book value at 31 December 2011	0	42.726	42.726

The investments for the projects smart metering, smart grids, smart users (as from 2012) and clearing house are recorded in the item 'Research costs'. The acquisitions for the project smart metering amounted to 38.827 kEUR for 2012 and 22.431 kEUR for 2011.

Research costs are included in the income statement amounting to 94 kEUR for 2012 and 188 kEUR for 2011.

There were no intangible assets with an indefinite useful life.

13. Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Total
Cost at 1 January 2012	225.776	11.718.006	364.157	16.123	12.324.062
Acquisitions	14.668	525.878	19.536	1.290	561.372
Sales and disposals	-2.046	-185.051	-4.529	0	-191.626
Cost at 31 December 2012	238.398	12.058.833	379.164	17.413	12.693.808
Depreciation and impairment at 1 January 2012	67.009	4.762.024	293.994	9.615	5.132.642
Depreciation	5.991	249.587	24.837	1.942	282.357
Acquisitions from third parties	0	176	149	0	325
Sales and disposals	-290	-137.937	-4.475	0	-142.702
Depreciation and impairment at 31 December 2012	72.710	4.873.850	314.505	11.557	5.272.622
Net book value at 31 December 2012	165.688	7.184.983	64.659	5.856	7.421.186

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Total
Cost at 1 January 2011	215.782	11.343.581	352.329	16.078	11.927.770
Acquisitions	11.008	559.565	14.945	45	585.563
Sales and disposals	-1.014	-185.140	-3.117	0	-189.271
Cost at 31 December 2011	225.776	11.718.006	364.157	16.123	12.324.062
Depreciation and impairment at 1 January 2011	64.361	4.658.142	271.307	8.002	5.001.812
Acquisitions	3.657	242.922	25.132	1.613	273.324
Acquisitions from third parties	0	0	503	0	503
Sales and disposals	-1.009	-139.040	-2.948	0	-142.997
Depreciation and impairment at 31 December 2011	67.009	4.762.024	293.994	9.615	5.132.642
Net book value at 31 December 2011	158.767	6.955.982	70.163	6.508	7.191.420

The acquisitions reported in the item 'Installations, machinery and equipment' mainly relate to the investments in mid and low voltage electricity networks for a total value of 288.388 kEUR in 2012 and 308.531 kEUR in 2011 and investments in gas pipe lines and gas connections for a value of 177.596 kEUR in 2012 and 197.204 kEUR in 2011.

At the end of 2012 and 2011 there was a firm commitment to sell a building as well as the intention to sell different building sites (see note 'Contingencies').

The commitments for the acquisition of property, plant and equipment at the end of 2012 amounted to 1.332 kEUR and 2.002 kEUR the end of 2011.

The net book value includes the assets paid by clients (third party intervention) and corresponds to the fair value of the network of the Group.

As per 31 December 2012 and 2011, there are no restrictions on title and property, plant and equipment are not serving as pledge for liabilities.

14. Investment in an associate

On 9 May 2011 Atrias cvba was established. Atrias is a central clearing house for the Belgian DSOs and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should be organized.

The Group has acquired 25 % of the shares. The amount of 5 kEUR was recorded as an investment in an associate.

Atrias is an unlisted company and has no official price quotation.

The following table summarizes the financial information of Atrias at 31 December:

(In thousands of EUR)	2012	2011
Property, plant and equipment	1.155	0
Current assets	2.659	1.077
Liabilities	3.795	1.059
Equity	19	19
Share in equity	5	5
Revenue	2.658	243
Result for the period	0	0
Share in the result for the period	0	0

The Group receives its share of the operating costs of Atrias. Since this company is also working at cost price, its results are without any profit nor loss.

The Group grants funding to Atrias and provides housing (see details in note 'Related parties').

15. Other investments

(In thousands of EUR)	2012	2011
Business centres	969	1.092
Other	19	10
Total	988	1.102

The investment in business centres relates to participations in business centres which the Group has subscribed to since 2007 at the request of its shareholders. These business centres are situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes, Waregem and Westhoek), Imewo (business centres Bruges, Ghent, Meetjesland and Ostend) and Iveka (business centres Kempen and Rupelstreek).

During 2011 the Group received a dividend from one of these business centers of 160 kEUR.

In 2011, a participation (1 share) was subscribed to an European company KIC InnoEnergy amounting to 10 kEUR. This company aims to develop various components for medium and low voltage stations, and the necessary logistics and communications.

In March 2012, the participation in the business centre Rupelstreek was sold. The agreement stipulated a sales price of 515 kEUR and an additional payment to Eandis in March 2016 of 44 kEUR. The realized gain was reported in the note 'Financial results'.

On 21 December 2012 SYNDUCTIS cvba was established in which Eandis participated for the electricity sector (3.100 euro), gas sector (3.100 euro) and temporarily for the telecom sector (3.100 euro). As a result, Eandis temporarily has a participation of 50 %.

SYNDUCTIS is a cooperation of the utility companies Tussengemeentelijke Maatschappij der Vlaanderen voor Watervoorziening (TMVW), Intercommunale Waterleidingsmaatschappij van Veurne-Ambacht (IWVA) and Eandis aiming to synchronise their infrastructure works in the public domain. Further cooperation with other utility companies is possible in the future to expand and optimize the less-disruption-policy and overall cost efficiency.

16. Long term receivables

This category consisted almost exclusively of loans to local authorities at market conditions and amounted to 3.356 kEUR at the end of 2012 and 3.503 kEUR at the end of 2011.

17. Inventories

(In thousands of EUR)	2012	2011
Raw materials and consumables	38.515	32.460
Impairment	-221	-294
Total	38.294	32.166

The amount of the write back amounted to 73 kEUR in 2012 and the amount of the write down amounted to 85 kEUR in 2011. These amounts were reported in the income statement.

18. Trade and other receivables

The trade and other receivables are composed as follows.

(In thousands of EUR)	2012	2011
Trade receivables - gross	439.346	442.221
Impairment	-65.498	-92.776
Total trade receivables - net	373.848	349.445
Other receivables	253.456	126.595
Other receivables - Transfers	524.857	423.088
Total other receivables	778.313	549.683
Total	1.152.161	899.128

The information regarding outstanding balances with the associate, was included in the note 'Related parties'.

The detail of the **trade receivables – net** is as follows.

(In thousands of EUR)	2012	2011
Trade receivables from distribution grid activities		
Outstanding debt	217.539	196.654
Impairment	0	0
Trade receivables social customers		
Outstanding debt	124.045	130.015
Impairment	-50.516	-59.853
Other trade receivables		
Outstanding debt	39.736	61.428
Construction works for third parties	34.999	32.974
Impairment	-14.982	-32.923
Trade receivables	13.270	12.613
Other	9.757	8.537
Total trade receivable - net	373.848	349.445

The net amount of trade receivables from social customers has increased further and amounts to 73.529 kEUR or a net increase of 3.367 kEUR compared to last year.

The 'Other trade receivables' include an amount of 1.708 kEUR for 2012 and 21.489 kEUR for 2011 related to bad debts from the period before the energy market's liberalization, as well as receivables related to finished construction works and services rendered and costs still to be billed related to works for third parties.

The trade receivables from distribution grid activities are payable within 18 calendar days following the dispatch of the invoice as provided in the Access Code.

The detail of the **other receivables** is as follows.

(In thousands of EUR)	2012	2011
VAT receivable	1.533	2.793
Receivables municipalities	983	1.584
Green energy and cogeneration certificates	246.151	68.350
Receivables options	3.332	2.392
Others	1.457	51.476
Other receivables	253.456	126.595
Transfer tariff	394.321	331.216
Complement to annual energy sales	73.598	51.287
Financial reconciliation	0	-32
Solidarity receivables related to the certificates for green energy	25.496	11.023
Deferred charges	3.989	12.384
Accrued income	27.453	17.210
Other receivables - Transfers	524.857	423.088
Total	778.313	549.683

The increase in **other receivables** was mainly due to the increase in the purchase obligation of the certificates for green energy and the tariff transfer partly compensated by the repayment of a short-term receivable by a financing intermunicipal company.

During 2012 no **green energy certificates (GEC)** and **cogeneration certificates (CGC)** were sold. Based on a decision of the Flemish Government amending the Energy Decree, these certificates were immobilized to a certain level ('banking') and an amount was determined (banding divisor) equal to 97 euro per green energy certificate and 35 euro per cogeneration certificate. The value at which the certificates are recorded varies and depends on the number of years the installation is in service. The item '**Other**' contains an amount of 486 kEUR related to a grant receivable in the framework of the EVA project.

Transfer tariff is related to the revenue correction that in the following tariff period is eligible for inclusion (see chapter 'Working in a regulated environment – The billing mechanism').

The **complement to the annual energy sales** concerns the estimate of the energy supplied to social customers but not yet invoiced.

The **financial reconciliation** aims to correct the allocated energy taking into account the measured (real) consumption of the network users. This process takes place on a continuous basis since 2010.

Solidarity contribution for certificates for green energy

The cost of green power differs greatly for each distribution area in Flanders. In the energy decree, the distribution system operators are committed to a mutual settlement of the costs since 2010. The principles and procedures are initiated by the VREG (Flemish Regulator for the Electricity and Gas). Since the settlement can be both a receivable or a liability, this item must be read together with the item reported in the notes 'Trade and other payables'.

The **deferred charges and accrued income** mainly concern the amounts to be settled on the sales of distribution networks and installations and elements related to the recuperation of costs of (Rational Use of Energy)-RUE campaigns.

19. Current tax assets

This item primarily comprises tax receivables amounting to 3.497 kEUR for 2012 (11.678 kEUR for 2011).

20. Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash. At the end of 2012 an amount of 6.841 kEUR was available and 5.964 kEUR at the end of 2011.

All resources are reported in euro.

21. Issued capital and reserves

The various components of equity and the movements from 1 January 2011 to December 31, 2012 were reflected in the 'Statement of changes in equity'.

The **share capital** amounted to 1.924.415.173,52 EUR at the end of December 2012, unchanged compared to 2011. The capital was fully subscribed and paid up. It represents the sum of the capitals of the DSOs.

The table below shows the *number of shares and profit certificates per category in the capital* of each DSO at the end of 2012 and 2011.

DSO	Shares A and C		Profit certificates C		Shares F	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	13.636.330	138.739.255,09	119 (1)	0,00	2.718.294	177.335.132,75
IMEA	6.857.503	61.436.213,92	12	0,00	1.371.491	69.488.003,84
Imewo	13.471.943	241.819.942,33	87	0,00	2.694.379	139.827.154,47
Intergem	7.201.570	91.558.642,15	48	0,00	1.440.300	76.100.180,77
Iveka	10.798.392	141.629.329,25	93	0,00	2.091.014	109.233.217,70
Iverlek	16.177.467	131.348.127,38	103	0,00	3.235.487	153.054.430,90
Sibelgas (2)	4.091.477	37.821.921,90	0	0,00	808.289	22.354.333,22
Total	72.234.682	844.353.432,02	462	0,00	14.359.254	747.392.453,65

DSO	Shares/Profit certificates E"		Shares/Profit certificates E		Total	
	Number	Capital (in €)	Number	Capital (in €)	Number	Capital (in €)
Gaselwest	843.437	54.997.639,49	436.906	15.160.239,04	17.635.086	386.232.266,37
IMEA	571.748	27.094.533,18	1.092.956	29.473.156,59	9.893.710	187.491.907,53
Imewo	74.990	4.616.255,71	1.150.503	37.939.814,00	17.391.902	424.203.166,51
Intergem	135.430	7.114.050,94	178.838	5.240.402,11	8.956.186	180.013.275,97
Iveka	601.258	32.255.094,00	438.610	14.150.572,96	13.929.367	297.268.213,91
Iverlek	1.148.536	55.093.403,62	1.144.387	30.323.036,53	21.705.980	369.818.998,43
Sibelgas	0	0,00	816.927	19.211.089,68	5.716.693	79.387.344,80
Total	3.375.399	181.170.976,94	5.259.127	151.498.310,91	95.228.924	1.924.415.173,52

(1) Shares C

(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital and 3 shares C.

During 2011, the capital structure was optimized. The following steps were taken in order to reduce the capital with a net amount of 393.954.433,90 EUR.

Date	Transaction	Amount in EUR
Share capital at 1 January 2011		2.318.369.607,42
30 June 2011	Capital decrease - public shareholders	-942.974.518,58
	Capital decrease - private Partner / participant	-404.131.814,61
	Capital increase - public shareholders	937.774.540,66
	Total	-409.331.792,53
31 December 2011	Capital increase - public shareholders	15.377.358,63
Share capital at 31 December 2011		1.924.415.173,52

The overview of the **reserves** is as follows

(In thousands of EUR)	Legal reserves	Unavailable reserves	Available reserves	Total
Balance at 1 January 2011	1.031	228.749	161.110	390.890
Additions to reserves	0	40.154	15.871	56.025
Balance at 31 December 2011	1.031	268.903	176.981	446.915
Additions to reserves	0	39.111	11.926	51.037
Balance at 31 December 2012	1.031	308.014	188.907	497.952

A *legal reserve* has been formed amounting to 1.031.020,01 EUR. This legal reserve has been formed from the profits, at the rate of 5 % until a maximum of 10 % of the fixed part of the share capital as determined by the articles of association.

An *unavailable reserve* has been formed during the period prior to the energy market's liberalization (captive period), according to the guidelines issued by the Flemish authorities for a total amount of 63.832 kEUR.

Since 2008 amounts were included as unavailable reserve equal to the depreciation of the (RAB-added value) revaluation surplus value in accordance with the settlement with the CREG. From 2010 onwards, the costs of the surplus value of land, buildings and installations sold during the accounting year were taken into account. The addition to the reserves for 2012 amounted to 39.111 kEUR and 40.154 kEUR for 2011.

The total available reserves at the end of 2012 amounted to 188.907 kEUR.

In 2012 the available reserves grew with 16.226 kEUR (16.899 kEUR for 2011) for the part of the bonus related to 2012 (respectively 2011). This amount represents the difference between the manageable costs as provided for in the original budget for the tariffs and the revised budget following the implementation of new/current indexation (see chapter 'Operating in a regulated environment'). Furthermore, an amount of 576 kEUR (1.029 kEUR for 2011) was withdrawn from the reserves as well as 3.724 kEUR resulting from a decision of the CREG concerning the retained elements in the calculation of the fair remuneration with respect to 2010 and 2011.

The DSOs and Eandis together have taken the initiative to simplify the organizational structures of the mixed distribution sector. This simplification was ratified during the annual meetings of 2012. The municipal elections of October 2012 and the recomposition of the governing bodies provide an opportunity to start and implement the new structure in 2013.

For the DSOs this means a fundamental reduction in the number of public mandates from 879 to 353.

A **non-controlling interest** of 35,97 % or 93 kEUR on TMVW and Antwerpse Waterwerken (AWW) has been recognized for the participation held in De Stroomlijn.

End 2012, AWW announced its intention to withdraw from De Stroomlijn during 2013.

Eandis cvba owns 70,00 % of the shares of Indexis cvba, the other shares being held by Ores, the Walloon mixed distribution system operators for electricity and gas and by Jacques Hugé, CEO of Ores (1 share). The non-controlling interest therefore amounts to 30,00 % or 986 kEUR.

In total non-controlling interest amounts thus 1.079 kEUR.

Dividend

During the accounting year 2012 dividends were paid for a total value of 224.025 kEUR and in 2011 for an amount of 228.581 kEUR.

Below is an overview of the dividends paid per share/profit certificate and per DSO.

Comparing the dividend per share/profit certificate one should take into account the value of each share/profit certificate represented in the capital of the DSOs (see table 'number of shares/profit certificates in the capital of each DSOs').

For 2012

DSO	Share A&C	Profit certificate C	Share F	Share/Profit certificate E"	Share/Profit certificate E
Gaselwest	2,8412	2,8412	3,3565	2,9811	1,7595
IMEA	2,0907	2,0907	2,4382	2,1674	1,4446
Imewo	2,7739	2,7739	2,8074	2,8137	1,7178
Intergem	2,5302	2,5302	2,6704	2,4016	1,4371
Iveka	2,2622	2,2622	2,6611	2,4533	1,5823
Iverlek	2,0068	2,0068	2,4000	2,1937	1,2995
Sibelgas	1,0440	-	1,2059	-	1,1736
Average	2,3512	2,4741	2,6591	2,4544	1,4681

For 2011

DSO	Share A&C	Profit certificate C	Share F	Share/Profit certificate E"	Share/Profit certificate E
Gaselwest	3,4160	3,4160	1,3792	1,3696	1,2975
IMEA	2,5957	2,5957	1,0735	1,0027	0,8345
Imewo	3,1790	3,1790	1,0986	1,2762	1,1302
Intergem	2,9252	2,9252	1,1171	1,0825	1,2101
Iveka	2,7348	2,7348	1,1036	1,1240	1,3339
Iverlek	2,4609	2,4609	0,9996	1,0071	1,0945
Sibelgas	1,4710	-	0,5277	-	0,6702
Average	2,8191	2,9490	1,0975	1,1268	1,0231

After the balance sheet date the Board of Directors of each of the DSOs has formulated a dividend proposal. The shareholders have approved the payment of these dividend balances at their DSO's General Assembly. According to IFRS these dividends are only reported in the year that the dividends have been approved. The dividend balance for 2011 amounted to 19.732 kEUR and was included in the 2012 accounts, the dividend balance for 2012 amounted to 28.757 kEUR and will be included in the 2013 accounts.

The amounts mentioned are the net dividends before withholding tax. The dividend allocated to the Private Partner / participant is subject to the Legal Entity Tax (15,45 % on the dividend allocated for the gas activity) and deduction of withholding taxes (25,00 %).

The Group's **profit** comprises the fair remuneration, as described in the chapter 'Operating in a regulated environment'.

22. Interest bearing loans and borrowings

(In thousands of EUR)	2012	2011
Long term loans	3.847.136	3.827.775
Current portion of long term loans	659.866	152.974
short term loans	111.908	254.619
Short term loans	771.774	407.593
Total	4.618.910	4.235.369

At the balance sheet date of 2012, the Group had taken up an additional amount of 383.541 kEUR of loans compared to 2011.

Long term loans

Overview of the long-term loans by category

At the end of 2012

(In thousands of EUR)	Book value 2012	Initial amount	Current interest rate %	Next review	Maturity
Bond issue - retail	320.006	320.000	4,00 - 4,25		2017-2020
Bond issue - EMTN	1.126.704	1.135.500	2,75 - 4,50		2021-2032
Bond issue - Schuldschein	48.886	50.000	3,50		2027
Bank loans - fixed interest rate	2.106.006	2.332.916	3,12 - 4,76		2013-2025
Bank loans - variable interest rate	7.214	35.234	1,49 - 3,76	5/07/2013	2014-2016
Bank loans - swapped to fixed interest rate	818.186	1.120.000	3,55 - 4,57		2023-2027
Other loans	80.000	80.000	3,57		2014
Total	4.507.002	5.091.569			
Current portion of long term loans	-659.866				
Total long term loans	3.847.136				

At the end of 2011

(In thousands of EUR)	Book value 2012	Initial amount	Current interest rate %	Next review	Maturity
Bond issue - retail	320.018	320.000	4,00 - 4,25		2017-2020
Bond issue - EMTN	497.606	500.000	4,50		2021
Bank loans - fixed interest rate	2.208.600	2.332.916	3,12 - 4,76		2012-2025
Bank loans - variable interest rate	10.673	43.579	1,84 - 3,76	6/02/2012	2014-2016
Bank loans - swapped to fixed interest rate	863.852	1.120.000	3,98 - 5,02		2023-2027
Other loans	80.000	80.000	3,57		2014
Total	3.980.750	4.406.069			
Current portion of long term loans	-152.974				
Total long term loans	3.827.775				

For bank loans swapped to fixed interest rates, interest rate swaps have been subscribed to in order to swap the variable interest rate to a fixed interest rate (see note 'Derivative financial instruments').

For the bond loans issued by Eandis, each of the DSOs is guarantor on a non-joint and non-inclusive basis but limited to its proportional share in the capital of Eandis.

Overview of the long term loans issued and borrowings during 2012 and 2011.

(In thousands of EUR)	Initial amount	Maturity	Book value 2012	Book value 2011	Interest rate %
Bond issue - EMTN	135.500	2032	134.849	0	3,95
Bond issue - Schuldschein	50.000	2027	48.886	0	3,50
Bond issue - EMTN	500.000	2022	494.005	0	2,75
Total 2012	685.500		677.740	0	
Bank loans - fixed interest rate	25.000	2021	25.000	25.000	3,74
Bank loans - fixed interest rate	50.000	2016	50.000	50.000	3,25
Bank loans - fixed interest rate	100.000	2016	100.000	100.000	3,25
Bank loans - fixed interest rate	150.000	2016	150.000	150.000	3,12
Bond issue - EMTN	500.000	2021	497.850	497.606	4,50
Total 2011	825.000		822.850	822.606	

Short term loans

Overview of the different short term bank loans

At the end of 2012

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate %
Commercial paper	-	522.000	0	522.000	-
Fixed advances	4/01/2013	225.000	50.000	175.000	1,09
Fixed loans/Bank overdraft	Daily	150.000	61.908	88.092	0,64
Total at 31 December 2012		897.000	111.908	785.092	

At the end of 2011

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate %
Commercial paper	27/01/2012 Between 4/1 and	522.000	20.000	502.000	1,28
Fixed advances	20/1/2012	425.000	175.000	250.000	1,10
Fixed loans/Bank overdraft	Daily	150.000	59.619	90.381	1,23
Total at 31 December 2011		1.097.000	254.619	842.381	

All loans, except the bank overdrafts subscribed by Eandis cvba are in the name and on behalf of the DSOs who stand surety for their part and act as joint co-debtor.

23. Pensions and other post-employment employee benefit plans

Pension plans

The Collective Labour Agreement of 2 May 1952 stipulated an additional pension equalling 75% of the last annual salary after deduction of the legal pension at the end of a complete career, as well as a survival pension and an orphan allowance. This defined benefit plan has been fully paid up by the employer and the pensions have been paid out directly to the beneficiaries. The remaining subsequent obligations are for the largest part related to current pensions.

The majority of the employees hired before 1 January 2002 and the executive staff hired before 1 May 1999 are entitled to defined benefit plans which provide in the payment of a lump sum on retirement, and a lump sum and orphan interest in case of decease before retirement. These benefits are calculated taking into account the last annual salary and past service. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (O.F.P. Elgabel and O.F.P. Pensiobel) and group insurances.

Employees hired after 1 January 2002 and the executive staff hired after 1 May 1999 are entitled to defined contribution plans: these pension plans provide in a lump sum on retirement resulting from the contributions paid and the return granted by the pension institutions, as well as a lump sum and orphan interests in case of decease before retirement. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (O.F.P. Enerbel and O.F.P. Powerbel) and group insurances. For the contributions deposited from 1 January 2004 onwards, Belgian legislation imposes a minimum average yield: currently 3,75 % on employee contributions and 3,25 % on employer contributions. Possible deficits are to be financed by the employer. As per 31 December 2012 the fair value of the plan investments amounted to 19.408 kEUR, while the liabilities taking into account the minimum guaranteed yields amounted to 17.978 kEUR. Some individual small differences have been noted, but have not been provided in the balance sheet.

Similar allowances have been granted through exit plans.

The other pension allowances contain provisions for acquired pension liabilities.

Other allowances

The Group also grants post-retirement allowances (reimbursement of healthcare costs and tariff benefits), as well as other long term employee benefits (retirement and jubilee bonuses).

Since the expenses related to the employee benefits are reclaimable from the Distribution System Operators, a right of substitution, equal to the employee benefits reported in the balance sheet, is recognized.

Overview on balance sheet date

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
Present value of funded obligation	777.028	246.313	1.023.341	698.621	216.846	915.467
Fair value of plan assets	-434.689	-3.891	-438.580	-425.251	-3.842	-429.093
Subtotal	342.339	242.422	584.761	273.370	213.004	486.374
Other	0	7	7	11.774	18	11.792
Total employee benefit liability	342.339	242.429	584.768	285.144	213.022	498.166

Other personnel allowances are related to acquired pension liabilities (in 2011; paid in 2012) and career interruption (post 'Other').

Changes in the present value of the obligation

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	698.621	216.846	915.467	695.424	210.120	905.544
Current service cost	16.678	5.397	22.075	14.927	5.143	20.070
Contributions from plan participants	1.542	0	1.542	1.576	0	1.576
Cost of early retirement	2.680	0	2.680	3.103	0	3.103
Interest cost	27.151	8.200	35.351	28.989	8.670	37.659
Benefits paid	-70.743	-12.198	-82.941	-67.986	-12.771	-80.757
Actuarial (gains)/losses	101.099	28.069	129.168	22.588	5.684	28.272
At the end of the period	777.028	246.314	1.023.341	698.621	216.846	915.467

Changes in the fair value of the plan assets

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	-425.251	-3.842	-429.093	-439.675	-3.868	-443.543
Expected return	-18.495	-167	-18.662	-20.376	-181	-20.557
Contributions by the employee	-44.264	-12.198	-56.462	-49.444	-12.568	-62.012
Contributions from plan participants	-1.542	0	-1.542	-1.576	0	-1.576
Benefits paid	70.743	12.198	82.941	67.986	12.771	80.757
Actuarial (gains)/losses	-15.880	118	-15.762	17.834	4	17.838
At the end of the period	-434.689	-3.891	-438.580	-425.251	-3.842	-429.093

Components of the expense recognized in profit or loss

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
Current service cost	18.221	5.396	23.617	16.503	5.143	21.646
Cost of early retirement	2.680	0	2.680	3.103	0	3.103
Interest cost	27.151	8.200	35.351	28.989	8.670	37.659
Expected return on plan assets	-18.495	-168	-18.663	-20.376	-181	-20.557
Actuarial (gains)/losses	0	7.779	7.779	0	-6.460	-6.460
Net periodic benefit cost	29.556	21.207	50.764	28.219	7.172	35.391

The recognized actuarial (gains)/losses are related to jubilee bonuses.

Changes in the liabilities recognized in the balance sheet

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
At the beginning of the period	273.370	213.005	486.374	255.749	206.252	462.001
Benefit cost	29.556	21.208	50.764	28.219	7.172	35.391
Contributions by the employer	-45.806	-12.198	-58.004	-51.020	-12.568	-63.588
Actuarial (gains)/losses	85.219	20.408	105.627	40.422	12.148	52.570
At the end of the period	342.339	242.423	584.762	273.370	213.004	486.374

Accumulated amount of actuarial (gains)/losses on balance sheet date

(In thousands of EUR)	2012			2011		
	Pensions	Other	Total	Pensions	Other	Total
Total	192.718	71.385	264.102	107.499	50.976	158.475

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major category at the end of 2012.

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Total %
Shares	Eurozone	10,77	10,36	2,98	8,69
Shares	Outside eurozone	16,53	15,91	4,22	13,26
Government bonds	Eurozone	6,84	6,58	17,34	9,47
Other bonds	Eurozone	41,81	43,70	58,13	46,37
Property		5,72	5,50	3,16	5,02
Cash		2,06	2,30	1,78	2,04
Other		16,27	15,65	12,39	15,15
Total (in %)		100,00	100,00	100,00	100,00
Total (in thousands of EUR)		235.069	88.399	111.221	434.689

The classification of the plan investments in function of the major category at the end of 2011.

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Total %
Shares	Eurozone	12,55	15,24	2,95	10,85
Shares	Outside eurozone	15,49	14,87	3,87	12,59
Government bonds	Eurozone	12,98	12,45	18,74	14,23
Other bonds	Eurozone	36,78	35,29	58,01	41,50
Property		6,08	5,83	3,28	5,36
Cash		2,45	3,21	2,91	2,73
Other		13,68	13,11	10,24	12,74
Total (in %)		100,00	100,00	100,00	100,00
Total (in thousands of EUR)		232.290	91.846	101.115	425.251

The expected return on plan investments has been determined on the basis of the classification of plan investments and the expected return for each category of plan investments.

Major *actuarial assumptions* used at balance sheet date to determine the provision for employee benefits and other allowances

(in %)	2012	2011
Discount rate	2,60	3,80
Expected return on plan assets	4,50	4,80
Expected average salary increase (excluding inflation)	2,00	2,00
Expected inflation	2,00	2,00
Expected increase of health benefits (including inflation)	3,00	3,00
Expected increase of tariff advantages	0,25	0,25

The (1992) MR/FR mortality tables were used.

The effect of a one percent point change would have the following effect on the medical cost:

(In thousands of EUR)	Increase of 1,00 %	Decrease of 1,00 %
Effect on the aggregate of the service cost and the interest cost	1.069	-823
Effect on the funded obligation	17.000	-13.540

In order to clarify the *estimation uncertainties*, the results of the sensitivity analysis for the discount rate and the future wage increases are presented below.

(In thousands of EUR)	Increase of 1,00 %	Decrease of 1,00 %
Effect on the funded obligation		
Discount rate	-90.054	99.264
Expected salary increase	84.937	-92.101

A historical overview of the present value of the funded obligation, the fair value of the plan assets and the deficit of the pension plans is presented. The part of the adjustments from experience in the actuarial gains and losses, i.e. the part not attributable to the changes in the actuarial assumptions, can be summarized as follows:

(In thousands of EUR)	2012	2011	2010	2009	2008
Present value of funded obligation	1.023.341	915.467	905.544	895.092	906.254
Fair value of plan assets	-438.580	-429.093	-443.543	-405.399	-397.108
Subtotal	584.761	486.374	462.001	489.693	509.146
Experience adjustments on plan liabilities	32.293	-11.456	-10.718	435	-7.029
Experience adjustments on plan assets	-15.762	17.838	-22.327	-12.176	102.743

The Group estimates to contribute 41.463 kEUR to the defined benefit pension plans in 2013.

24. Derivative financial instruments

The Group has entered into interest rate swaps in order to convert the variable interest rate on long term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 163.453 kEUR in 2012 and 142.443 kEUR in 2011.

The changes in the fair value are recognized in the income statement (see note 'Financial results').

The fair value of derivative financial instruments entered into for hedging the interest rate risk is calculated on the basis of the discounted expected future cash flows taking into account current market interest rates and the yield curve for the instrument's remaining maturity.

Overview of the derivative financial instruments

A Linear constant maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 years concluded in June 2003 enters into force in June 2013.

A Linear constant maturity swap within the framework of the original 220 million EUR loan with a maturity of 20 years concluded in December 2004 enters into force in December 2014.

A Linear constant maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 year concluded in December 2004 entered into force in December 2009.

A Bonus Range Accrual within the framework of the original 250 million EUR loan with a maturity of 20 year loan concluded in December 2006 entered into force in December 2011

A Varifix within the framework of the original 250 million EUR loan with a maturity of 20 year concluded in December 2007 entered into force in October 2010.

A forward 5 years IRS swap was concluded in April 2011 within the framework of loans to be subscribed in June 2011 for an amount of EUR 300 million maturing over 5 years. The swap was effective in June 2011 for a period of five years. The swap was unwound in September 2012.

25. Provisions

(In thousands of EUR)	Rehabilitation	Other	Total
Balance at 1 January 2011	45.785	628	46.413
Used	-914	-26	-940
Balance at 31 December 2011	44.871	602	45.473
Used	-17.017	-6	-17.023
Balance at 31 December 2012	27.854	596	28.450

The provisions comprise the obligations recognized for the rehabilitation of the former gas factories' grounds. The DSOs own several gas factory grounds on which soil and groundwater have been polluted in the past. Tackling this pollution has already started on a voluntary basis and a framework agreement with OVAM was concluded in 2001. Meanwhile, the number of such grounds has been reduced. In a new agreement with OVAM it will be determined what the spread in time, the budget, the order of priority and the modalities of execution of the works for rehabilitating the soil, and possibly other measures, will be.

A bank guarantee was given to OVAM for an amount of 6.856 kEUR in 2012 and 2011 within the framework of the transfer of a number of grounds, conforming to the applicable legislation.

The Group is working on possible sales of certain contaminated sites. In this context, several grounds were sold during 2012 and letters of intent were entered into with potential buyers.

On certain grounds already sold, rehabilitation duties still remain for an amount of 710 kEUR (see note 'Contingencies').

The decrease to the provision for rehabilitation was due to the use of (remediations and sales of grounds) and more concrete elements for the estimation of the clean-up costs. No amounts were reversed nor were any amounts added to the provision during 2012.

The provision 'Other' relates to expenses for litigations with third parties and for the treatment of polluting transformers based upon the management's best possible estimate of the expenses that the Group might incur.

The expected timing of cash outflow is dependent upon the duration and the settlement of the various procedures.

26. Government grants

(In thousands of EUR)		2012
At 1 January		0
Received during the year		772
Released to the income statement		-163
At 31 December		609

In the framework of the participation in the EVA project investment grants were granted mainly by the 'Agentschap voor Innovatie door Wetenschap en Technologie' (IWT).

27. Trade payables and other current liabilities

(In thousands of EUR)	2012	2011
Trade debts	227.315	201.547
VAT and other taxes payable	12.214	9.795
Remuneration and social security	73.218	71.232
Advances Soclev clients and other	43.485	40.668
Other current liabilities	163.453	120.544
Total	519.685	443.785

The items related to trade debts increased in 2012 with 25.768 kEUR to reach 227.315 kEUR.

The increase in 'Other current liabilities' with 42.909 kEUR was mainly the result of the increase in the solidarity costs related to the certificates for green energy (see note 'Trade and other receivables') to 44.507 kEUR in 2012 compared to 29.607 kEUR in 2011 and the regulated transfers (see chapter – 'Operating in a regulated environment') amounting to 29.344 kEUR in 2012 and 10.428 kEUR in 2011.

The liabilities' terms and conditions are as follows:

For the standard trade debts the average payment term amounted to 50 days after invoice date and for contractors 30 days after invoice date.

Debts for VAT and withholding tax are paid respectively 20 and 15 days after the end of the month. All debts are paid by the maturity date.

28. Current tax liabilities

This item contains the taxes payable amounting to 84 kEUR in 2012 and 4.416 kEUR in 2011.

29. Financial instruments: policy

Risks

It is the Group's intention to understand all risks separately, as well as their mutual connections, and to define strategies in order to manage the economic impact on the Group's results. The Audit Committee is responsible for reviewing the risk analysis, for the approval of the recommended risk management strategies, for compliance with the guidelines on risk management and reporting.

More information about the risks of the Group is included in the prospectus of the Eandis group (Eandis cvba and its subsidiaries) dated 31 October 2012 concerning the guaranteed Euro Medium Term Note Programme. This document can be consulted on the website www.eandis.be.

Equity structure

The Group's equity structure consists of equity and the financial liabilities.

Apart from the legally (Belgian) required minimum levels for equity that are applicable, the mission charged associations are also subject to the Flemish Decree on Intermunicipal Cooperation. This decree stipulates that by the end of 2018 at the latest no Private Partner / shareholder can participate in the share capital of mission charged associations (the principle of mixed mission charged associations companies will disappear). For the ex IGAO municipalities (in IMEA, Intergem and Iveka), Iveka and Intergem this date is earlier, being 31 December 2014, 31 December 2016 and 14 September 2018 respectively.

At the end of 2012 and 2011, the share of the Private Partner / participant in the share capital amounted to 253.306 kEUR

Preparatory measures with a view to the Private Partner / participant's exit were taken during 2012.

The purpose of the Group is to maintain a strong structure and to ensure that the Eandis group can retain a good credit rating from the credit rating offices.

As the Group works within a regulated environment, with a guaranteed remuneration (fair remuneration/profit and a guaranteed return/dividend) the risk is rather limited.

Based on the Belgian GAAP figures, a portion of the bonus (the difference between the manageable costs from the original tariff budget and the revised tariff budget following the implementation of the new/current indexation) is taken as available reserves.

During 2012 and 2011 the Group fulfilled all 'expected' obligations.

The Group has called upon long and short term funding to support its capital structure.

The Group monitors its solvency. Solvency means the degree to which the Group in case of liquidation can meet its financial obligations towards the providers of debt capital.

Credit risk

The credit risk comprises the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group pursues a credit policy whereby the credit risk is scrutinized and diversification of counterparties is necessary.

The maximum credit risk is each financial asset's balance sheet value.

Trade debtors
Ageing analysis of trade receivables past due, but not impaired

(In thousands of EUR)	2012	2011
1 - 60 days	21.282	4.338
61 - 90 days	5.007	4.417
91 - 180 days	17.022	11.305
181 - 365 days	24.573	28.109
More than 365 days	28.138	24.340
Total trade receivables - net	96.022	72.509

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2012	2011
Balance at 1 January	-92.776	-94.597
Charge of impaired receivables	-12.197	-19.685
Write back of impaired receivables	39.475	21.506
Balance at 31 December	-65.498	-92.776

Ageing analysis of the impaired trade receivables

All impaired trade receivables (6 kEUR for 2012 and 41 kEUR for 2011) were receivables past due for more than 365 days.

Currency risk

The Group is not substantially exposed to currency risk since transactions in currencies other than the euro are limited.

Liquidity risk

The liquidity risk implies the risk that the Group will encounter difficulties in meeting its obligations associated with financial liabilities. The Group limits this risk by scrutinizing cash flows continually and by taking care that a sufficient number of credit facilities are available.

The Group can call upon several banks to attract resources on **short term**. The possibility exists to issue commercial paper within the framework of a treasury bill programme, to draw upon fixed advances with a maturity of one week up to twelve months and to take up straight loans with a maturity between one day up to one week. All loans have fixed interest rates.

The Group borrows on a **long term** basis mainly to finance its ongoing investment in the distribution grid.

During 2010 Eandis has issued for the first time bond loans aimed at private investors for the market in Belgium and the Grand Duchy of Luxembourg.

To diversify and broaden its funding resources, so that a safe, reliable, efficient, and innovative distribution of energy to the customers can be assured, Eandis has requested a rating from Moody's Investors Service ('Moody's').

In October 2011, Moody's granted Eandis an 'A1' credit rating 'with a negative outlook.' This rating was confirmed on 21 December 2012 by Moody's. The A1 rating is based on the low risk profile of regulated companies for distribution of electricity and gas in the Flemish energy market. The negative

outlook of the A1 rating for Eandis stems from the review and subsequent downgrade by Moody's of the rating for the Flemish Region.

Eandis has successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme. The issuances follow successful roadshows whereby Eandis could elucidate its operations and financial strengths to European institutional investors. There has always been a large interest from European investors for the bond issuances and also interest from private investors to whom several bond loans were issued.

In the framework of the € 5 billion EMTN program an amount of € 1.135,5 million or 22,71% was issued at the end of 2012 and an amount of € 500 million or 10,00% at the end of 2011.

An overview of the loans is included in the note 'Interest bearing loans and borrowings'.

*The following schedule shows the maturity schedule of the different loans.
At the end of 2012*

(In thousands of EUR)	Book value 2012	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	320.006	0	0	150.115	169.891
Bond issue - EMTN	1.126.704	0	0	0	1.126.704
Bank loans - fixed interest rate	2.106.006	604.931	521.209	671.412	308.454
Bank loans - variable interest rate	7.214	2.787	4.393	34	0
Bank loans - swapped to fixed interest rate	818.186	52.148	109.727	117.198	539.113
Other loans	80.000	0	80.000	0	0
Total	4.507.002	659.866	715.329	938.759	2.193.048
Total bullet payment	2.875.596	500.000	380.000	650.115	1.345.481
Total excluded bullet payment	1.631.406	159.866	335.329	288.644	847.567

At the end of 2011

(In thousands of EUR)	Book value 2011	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	320.018	0	0	-1	320.018
Bond issue - EMTN	497.606	0	0	0	497.606
Bank loans - fixed interest rate	2.208.600	102.594	713.598	1.029.094	363.314
Bank loans - variable interest rate	10.673	3.458	5.423	1.792	0
Bank loans - swapped to fixed interest rate	863.852	46.922	104.840	113.420	598.671
Other loans	80.000	0	80.000	0	0
Total	3.980.749	152.974	903.860	1.144.305	1.779.609
Total bullet payment	2.197.625	0	580.000	800.000	817.625
Total excluded bullet payment	1.783.124	152.974	323.860	344.305	961.984

Interest rate risk

The Group has entered into long-term loans with a fixed and variable interest rate.

Loans with variable interest were swapped to a fixed interest rate (see note 'Derivative financial instruments'). All other loans were initially at a fixed interest rate.

The interest payment for the following years, calculated on the basis of the current interest rate is as follows:

(In thousands of EUR)	2012	2011
In 2012	0	164.127
In 2013	179.058	157.151
In 2014 and 2015	285.005	243.261
In 2016 and 2017	219.941	178.236
In 2018 and later	440.859	272.789
Total	1.124.862	1.015.563

Fair value

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties that are independent in an arm's length transaction and not in a forced sale or liquidation sale.

(In thousands of EUR)	Carrying amount		Fair value	
	2012	2011	2012	2011
Other investments	988	1.102	1.152	1.242
Green energy- and cogeneration certificates (GEC & CGC)	246.151	68.350	246.151	68.350
Trade and other receivables excluded GEC and CGC	906.010	830.778	906.010	830.778
Cash and cash equivalents	6.841	5.964	6.841	5.964
Total	1.159.990	906.194	1.160.154	906.334
Loans on short term	111.908	254.619	111.908	254.619
Bond loans	1.495.596	817.625	1.651.288	832.279
Loans on long term (including short term part)	3.011.406	3.163.125	3.163.125	3.163.125
Derivative financial instruments	163.453	142.443	163.453	163.453
Total	4.782.363	4.377.812	5.089.774	4.413.476

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade receivables (net of impairment), trade payables and other current liabilities approximate the carrying amounts as to the short term maturity of these instruments.

The fair value of the certificates for green energy and cogeneration certificates are the guaranteed amount, as stipulated in the decision of the Flemish Government amending the Energy Decree.

The fair value of the unquoted other investments is based on the latest available financial information.

The fair value of the quoted bond loans is based on the price quotations at the reporting date.

The derivative financial instruments are interest rate swaps.

The valuation techniques are swap models that use actual value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested to various market participants.

The fair value of the quoted bonds, issued for a total amount of 1.455,5 million EUR, varies according to the market interest rate. The fair value at 31 December 2012 amounts to 1.601,3 million EUR and differs from the amount that will be reimbursed and the carrying value. The fair value was obtained on the basis of the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other).

Fair value hierarchy

The Group uses the following fair value hierarchy classification to determine and classify the fair value of the financial instruments by a valuation technique:

Level 1: valuation is based on quoted (unadjusted) prices in an active market for identical assets or liabilities

Level 2: other techniques for which all input with a significant impact on the recorded fair value can be observed either directly or indirectly

Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

The fair value of bond loans is disclosed at level 1 and of the derivative financial instruments is disclosed at level 2.

30. Related parties

Transactions between the DSOs and their subsidiaries (the associated parties) have been eliminated in the consolidation process and are therefore not included in this note.

The remunerations paid to the directors are attendance fees and transport fees for an amount of 877.575,81 EUR for 2012 and 970.244,90 EUR for 2011.

The remunerations paid to the management committee and the directors amounted to 3.309.945 EUR for 2012 and 3.624.020 EUR for 2011. The post-employment benefits included in the total remuneration mentioned amounted for 2012 to 891.871 EUR and for 2011 to 299.239 EUR.

There are no other benefits in kind, share options, credits or advances granted to the directors.

Transactions of the Group and the Private Partner/shareholder are mainly related to invoices from the DSOs for the network and transport remuneration at arm's length, sales of green energy certificates (in 2011) and dividend payments (up to the ratio in the capital). On the other hand, the DSOs are invoiced by the Private Partner/shareholder for the purchase of energy losses on the network, purchases of energy for the supply to social customers and purchases of services.

(In thousands of EUR)	2012	2011
Amount of the transactions		
Revenue	46.828	58.363
Purchase of trade goods and services	73.054	71.964
Amount of outstanding balances		
Trade receivables	4.012	3.711
Trade payables	9.016	8.891

Transactions of the Group and non-controlling interest companies (TMVW, AWW and Ores) were as follows:

(In thousands of EUR)	2012	2011
Amount of the transactions		
Recharge of costs to non-controlling interest companies	10.770	11.609
Recharge of costs from non-controlling interest companies	3.306	3.920
Amount of outstanding balances		
Trade receivables	804	928
Trade payables	1.030	1.253
Provide financing	2.100	2.100

Transactions of the Group and associated companies (Atrias) were as follows:

(In thousands of EUR)	2012	2011
Amount of the transactions		
Recharge of costs to associates	109	18
Recharge of costs from associates	1.302	124
Amount of outstanding balances		
Trade receivables	1.202	511
Trade payables	267	164

31. Contingencies

(In thousands of EUR)	2012	2011
Rent deposits, buildings	1.331	1.271
Other bank guarantees	7.334	7.379
Guarantees given	8.665	8.650
Guarantees obtained from contractors and suppliers	24.203	23.152
Goods held by third parties in their own name but at risk for the Group	160	114
Obligation to purchase property, plant and equipment	1.332	2.002
Obligation to sell property, plant and equipment	932	4.744
Goods in consignment	119	12
Obligation to rehabilitation	710	650
Received leasehold	0	15

Outstanding orders in 2012 amounted to 26.535 kEUR.

The Group has rented several buildings and adjoining parking lots for a total value of 5.337 kEUR in 2012 and 4.997 kEUR in 2011, as well as cars for a total value of 5.603 kEUR in 2012 and 5.180 kEUR in 2011.

The future rent obligations (operational rent obligations) concern buildings, vehicles and other materials.

The contracts relating to buildings contain renewal clauses and have an average term of two years.

The future minimum lease payments under non-cancellable finance leases are as follows.

(In thousands of EUR)	2012
In 2012	10.577
In 2014 and 2015	11.235
In 2016 and 2017	3.176
In 2018 and later	311
Total	25.299

The Group's budgeted investments for 2013 were estimated at 677.468 kEUR (unchanged compared to 2012 because of the extension of the tariff rates – see chapter 'Working in a regulated environment').

Furthermore, there is also a legal dispute ongoing between the DSOs and Essent concerning free distribution of green electricity (3.533 kEUR for 2012 and 2011), with the NMBS and the Flemish Region on grid displacements (8.768 kEUR in 2012 and 9.300 kEUR in 2011) and disputes with various parties (for a total of 20.783 kEUR in 2012 and 21.830 kEUR in 2011).

IMEA is involved in a dispute with a property developer to sell the buildings and grounds "Minckelers" in Berchem (Antwerp). The developer had submitted a claim for damages amounting to 1,2 million EUR in principal. The Court of First Instance of Antwerp condemned IMEA to pay 1,6 million EUR (including interest and costs). The Board of Directors of IMEA appealed against this ruling..

On 28 January 2013 the Court of appeal has overruled the decision of the Court of First Instance.

Eandis is indirectly involved in a litigation before the Court of First Instance of Leuven in relation to a claim made by the city of Tienen. The city of Tienen claims certain sums from the DSO Iverlek on the basis that such sums are due under dividend guarantee obligations that are according the city binding. On 6 March 2012 the Court of First Instance of Leuven ruled unfavourably. Iverlek will appeal this verdict.

32. Events after the reporting date

On 9 January 2013, the Board of Directors of Eandis appointed Walter Van den Bossche, Director-General, as new CEO of Eandis. He succeeded Luc De Bruycker who has terminated his active career.

The Board of Directors also approved the new composition of the Management Committee. The new structure of the Management Committee will officially start on 1 April 2013. The Management Committee will consist of the following eight members:

- Walter Van den Bossche, CEO
- Guy Cosyns, director Customer Operations
- Frank Demeyer, director Human Resources and Organization Management
- Wim Den Roover, director Grid Operations
- Luc Desomer, director Public Affairs and Communication
- Jean Pierre Hollevoet, director Grid Management
- David Termont, director Financial, Administrative and ICT Management
- Donald Vanbeveren, director Strategy and Regulation

Mr. Nick Vandeveldel was appointed as the Company's Secretary General.

The Eandis Corporate Governance Charter has been adjusted. The changes relate to the adjustment of the governing bodies of Eandis, the mission, vision and strategy and the processing of a number of recommendations made by external auditors such as for the ombud service.

Adjustment of the distribution tariff

The CREG has introduced a new tariff as from 1 January 2013 for PV installations with a maximum AC power of 10 kVA amounting to 50 euro/kW installed power.

On 6 March 2013, the Board of Directors of Eandis cvba formulated and approved its vision on future developments and evolutions of the distribution grid management in Flanders. Eandis' vision was clarified at a press conference on 7 March 2013.

The energy sector in general and distribution grid management in particular play a vital role in the economic life of the Flemish Region; the social impact of their activities is considerable. A coherent vision on their future should therefore be based on the major political, regulatory, tariffication and managerial aspects concerning the Flemish mixed Distribution System Operators and their operating company Eandis. In 2011, Eandis and the DSOs had already approved a far-reaching streamlining of the Eandis Economic Group's corporate structure, which will be implemented as from April 2013. Now, Eandis wants to outline the next steps in this process.

Taking into account the aforementioned elements and their likely timing, the Board has outlined its views on a number of items, such as fixing the expiry date of the current DSOs at end 2018, the future of the 'mixed' type of DSOs, the preparations for the upcoming multi-annual DSO tariffs within a regionalized context, possible adjustments to the current DSO tariff structure, the public service guarantees, the way forward towards a single distribution grid tariff within the Flemish Region, the possible merger of the DSOs into a single entity, the possible integration of the current operating companies and, finally, non-core activities for the DSOs.

A timeline has been laid out by the Eandis Board of Directors, based on a number of milestones already known today, for the different steps in its restructuring plan for the energy distribution sector in Flanders.

Eandis has expressed its willingness to discuss and cooperate with all parties concerned in order to reach a consensus on and implement the most efficient structure for tomorrow's energy distribution sector in the Flemish Region.

On 15 March 2013 Eandis cvba successfully realized a private placement under its EMTN program amounting to 54.500 kEUR at an interest rate of 3,50 % with a maturity of 15 years and additionally for an amount of 20.500 kEUR at an interest rate of 3,75 % with a maturity of 20 years. These funds will be lent on to the DSOs.

33. List of group entities included in the consolidation

Subsidiary	Registered office	Number of shares owned (%)	Voting rights (%)
Distribution System Operators *			
Gaselwest	President Kennedypark 12, 8500 Kortrijk		
IMEA	Merksemsesteenweg 233, 2100 Deurne		
Imewo	Brusselsesteenweg 199, 9090 Melle		
Intergem	Administratief Centrum (AC), Franz Courtenstraat 11, 9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, 2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, 3012 Wilsele-Leuven		
Sibelgas	Gemeentehuis St. Joost-Ten-Node, Sterrenkundelaan 12, 1210 Brussels		
Subsidiaries			
Eandis cvba	Brusselsesteenweg 199, 9090 Melle	100,00	100,00
De Stroomlijn cvba	Brusselsesteenweg 199, 9090 Melle	64,03	64,03
Indexis cvba	Ravensteingalerij 4 bus 2, 1000 Brussels	70,00	70,00
Atrias cvba	Ravensteingalerij 4 bus 2, 1000 Brussels	25,00	25,00

* Address of contact: Brusselsesteenweg 199, 9090 Melle

The subsidiary SYNDUCTIS cvba (registered office at Brusselsesteenweg 199, 9090 Melle), founded on 21 December 2012 was included as an 'other investment' in the consolidation. Eandis holds 50 % of the shares.

The company Eandis cvba together with its subsidiaries De Stroomlijn cvba, Indexis cvba, Atrias cvba and SYNDUCTIS cvba form the (legal) 'Eandis group'. This group reports its IFRS results which can be consulted on the website www.Eandis.be.

Operating in a regulated environment

Regulated tariffs

Most of the consolidated group's income is generated from the regulated tariffs charged for the use of the distribution networks for electricity and gas (tariff income). The tariff mechanism is based upon the accounts prepared in accordance with Belgian accounting principles (Be GAAP).

As from the accounting year 2009 a new regulated tariff mechanism is in force in which the tariff proposals for a 4 year period (2009-2012) were submitted to the regulator (Commissie voor de Regulering van de Elektriciteit en het Gas / CREG). The application modalities for this multi-annual tariff are to be found in the Royal Decree of 2 September 2008 (published in the Royal Gazette of 12 September 2008).

Only the accepted actual costs associated with the tasks of distribution system operator were covered by tariffs. The tariff revenues are based on a regulated 'cost-plus' system, including a fair remuneration.

The initially approved distribution tariffs for the regulatory period 2009-2012 were not able to support the unforeseen strong growth in the cost of green certificates and subsidies for rational use of energy (RUE). An interim tariff adjustment starting from April 2011 until the end of 2012 was developed as to prevent a sudden increase in the distribution tariffs for the activity electricity at the start of the next regulatory tariff period and to avoid the prefinancing by the DSOs. On 31 March 2011 the CREG approved this interim review of the tariffs to include the additional costs as from 1 April 2011.

In the framework of a new set of measures to reform the State structures and to transfer the authority concerning the distribution tariffs of the federal (CREG) to the regional level (VREG), it was decided after consultation with all interested parties (federal and regional energy regulators, distribution system operators from all regions and their operating companies) to prolonge the tariffs that were in effect in January 2012 into the following years 2013 and 2014.

With regard to the difference between the budgeted and actual costs and revenues, which is explained in Chapter 4 of the above-mentioned Royal Decree, it is guaranteed that these tariff debts and/or receivables will be settled in a next regulatory period if approval in the budget.

As in previous years, the fair remuneration was fixed in accordance with art. 8. § 1. of the Royal Decree of 2 September 2008. It is based on the parameters referred to in art. 7 and the actual annual average ratio between the shareholders' equity and of the DSO's regulated asset. In accordance with the CREG's decision, the regulatory transfers exclude the costs of RUE and green energy certificates.

The value of the OLO interest rate was calculated as the average value of the interest during the year (2,9804% compared to the 3,9255% as initially stated in the budget).

Fair remuneration

The fair remuneration is the return on capital invested in the networks. The value of capital invested by the network operator on which a return is received, is equal to the value of the regulated assets. The regulated asset is the sum of the value of the network and of the working capital required. The regulated asset value is calculated each year, taking into account the new investments (Regulated Asset Base - RAB), the depreciations and the changes in working capital required.

The real fair remuneration for the operating year is determined on the basis of certain parameters (yield benefit and risk premium) on the one hand and the actual, averaged equation of the relevant year of operation between equity and the regulated asset base on the other hand (S-factor). In this calculation, the real OLO (as from 2010) and the S-factor based on the final balances are applied. The difference between actual and budgeted fair margin can be transferred.

Non-manageable costs and volume differences

The non-manageable costs are those costs over which the Group does not have direct control. The difference between the estimated and actual costs incurred may be included as an asset or debt and is included in the subsequent tariff period.

The difference between the real and the estimated sales volume of the budget can also be included in the subsequent tariff period.

The above differences result in an increase or a decrease in the future tariffs.

Manageable costs

The manageable costs are those costs over which the Group has direct control. The estimated cost should be recalculated annually on the basis of the actual calculated pricing index M and the wage and social security-related index S of the relevant operating year. According to the Royal Decree of 2 September 2008 the budgeted figures of 2009 are not to be recalculated.

The difference between the original and the recalculated budget for manageable costs is carried forward to the subsequent tariff period.

The difference between the estimated and actual manageable costs are part of the financial result and are therefore in total (as a bonus or malus) attributed to the network administrator (see also note 'Shareholders' equity – available reserve').

The settlement mechanism

Each year the DSOs prepare an overview of the settlement of previous years. The differences (whether positive or negative) are, as mentioned above, recognized in the balance sheet as a current receivable or liability.

The CREG controls on an annual basis the balances of the latest year of operation. However, if the CREG considers that certain costs should be rejected, these costs must be deducted from the result (fair remuneration) of the next accounting year. Where appropriate, the adjusted net result thus reflects the fair remuneration for the shareholders eligible for distribution.

Based on the current legislation, the outstanding balances as per 31 December 2012 can be settled (see Overview of the assets and liabilities – Recoverable in later years). Due to the transfer of the tariff competency on distribution from CREG to VREG, some uncertainty still exists regarding the period during which such settlement will take place.

The draft legislation amending the law of 29 April 1999 concerning the organization of the electricity market and the law of 12 April 1965 concerning the transport of gaseous and other products through pipelines (1725/1-9), more specifically Article 18 grants, the federal regulator the power to decide a prolongation as a transitional measure or any other measure which it deems appropriate in accordance with Article 12quater § 2.

Therefore, the CREG has approved to set the tariffs for the years 2013 and 2014 of the Flemish DSOs at the same level as those approved for the year 2012.

Accounting treatment

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment.

If, however, the accounting treatment is not in accordance with the IFRS guidelines, the future results and equity need to be adjusted.

Overview of the assets and liabilities of the settlement mechanism (see note 'Trade and other receivables' and 'Trade and other short-term liabilities').

(In thousands of EUR)	2012	2011
<u>Recoverable in 2009-2012</u>		
Transfer 2006	0	-1.061
Transfer 2007	0	41.643
Transfer 2008	0	10.847
Transfer 2009	0	17.691
Transfer 2010	0	65.667
<u>Recoverable in later years</u>		
Transfer 2008	39.822	39.822
Transfer 2009	67.792	67.792
Transfer 2010	-12.686	-10.844
Transfer 2011	87.347	89.230
Transfer 2012	182.702	0
Total amount recoverable	364.977	320.787
of which reported as Current liability	29.344	10.428
of which reported as Current assets	394.321	331.215
Total net amount recoverable	364.977	320.787

Reconciliation of the settlement mechanism.

(In thousands of EUR)	2012	2011
Regulatory asset at 1 January	320.787	342.794
Additional transfers from 2011	-1.883	89.230
Additional transfers from 2012	182.702	0
Total additional transfers	178.978	89.230
Recovered transfers from 2006	1.061	1.061
Recovered transfers from 2007	-41.643	-41.643
Recovered transfers from 2008	-10.847	-8.135
Recovered transfers from 2009	-17.691	-13.268
Recovered transfers from 2010	-65.668	-49.252
Total recovered transfers	-134.788	-111.237
Total movements	44.190	-22.007
of which - movement through the income statement	44.190	-22.007
Regulatory assets at the end of the reporting period	364.977	320.787

Free translation of the Dutch original

Report of the statutory auditor to the shareholders of the mixed Flemish distribution net owners on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2012.

We report to you on the performance of our audit mandate which was assigned to us by the management committee of Eandis CVBA. This report contains our opinion on the consolidated financial statements of the Economical Group Eandis which consists of seven mixed Flemish Distribution net owners (DNOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas who have a joint control over Eandis CVBA and its subsidiaries (De Stroomlijn CVBA, Indexis CVBA, Synductis CVBA and Atrias CVBA).

Unqualified opinion on the consolidated financial statements, with emphasis of matter paragraph

We have audited the consolidated financial statements of the Economical Group Eandis (collectively referred to as 'the Group') for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 8.702.429 thousands and the consolidated statement of income shows a profit for the year, share of the Group, of € 299.657 thousands.

Responsibility of the management committee of Eandis CVBA for the preparation and fair presentation of the consolidated financial statements

The management committee of Eandis CVBA is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit report dated 16 April 2013 on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2012

Responsibility of the statutory auditor

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

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the management committee of Eandis CVBA and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

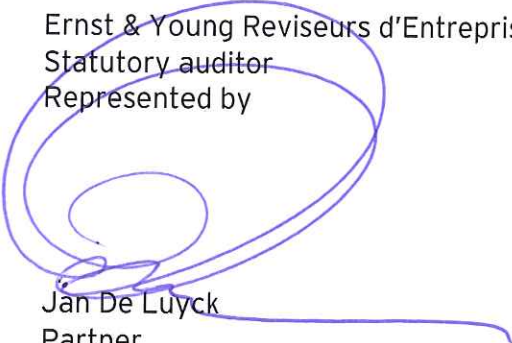
In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the Group's financial position as at 31 December 2012 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Audit report dated 16 April 2013 on the consolidated financial statements of the Economical Group Eandis for the year ended 31 December 2012

Without qualifying our opinion, we wish to draw the attention to the information, included in the notes of the consolidated financial statements, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the final balances resulting from the tariff settlement mechanisms which still are to be approved by the responsible authorities.

Ghent, 16 April 2013

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
Represented by

A large, stylized blue ink signature of Jan De Luyck, which loops around the text 'Represented by' and extends across the signature line.

Jan De Luyck
Partner

Ref: 13JDU0122

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(as from the financial year 2011 onwards)

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(as from 4 September 2013, represented by Mr. Paul Eelen)

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