



creos

Annual Report 2011

Creos Luxembourg S.A.

Registered as a société anonyme (public limited company) under
Luxembourg law with capital of EUR 198,851,260
Luxembourg Trade and Companies' Register B 4513
Legal headquarters : 2, Boulevard Roosevelt, L-2450 Luxembourg

Annual General Meeting of 8 May 2012

Reports presented to the annual general meeting of shareholders by
the Board of Directors and the independent auditors

Reports and annual accounts for the 2011 financial year



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Checking high-pressure natural gas pipelines by helicopter.

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I. Introduction

The Creos business lines

Creos owns and manages electricity and natural gas networks in Luxembourg.

Its task is to manage its transport and distribution networks and to guarantee non-discriminatory access to them within the framework of liberalised energy markets.

The company is responsible for the planning, realisation, extension, maintenance, management and breakdown service of the high, medium and low tension electricity networks and the high, medium and low pressure natural gas pipelines it manages. The Creos networks include some 9,000 kilometres of electricity lines and approximately 1,900 kilometres of natural gas pipelines. Almost 240,000 customers are connected to the electricity network and approximately 45,000 customers to the natural gas network.

To manage the networks, Creos has 6 regional centres placed strategically around the Grand Duchy and experienced intervention teams available 24/7.

People are at the forefront of our concerns – this is a Creos maxim. It applies both to our customers, for whom Creos performs a public service, and the 650 staff we have today.

In fact, in order to perform the tasks with which we are entrusted, Creos brings together a vast range of professions in the fields of electricity and natural gas, for instance fitters, plan drawers, readers and meter installers, those responsible for maintaining public lighting and even underground pipeline layers. Each Creos employee has well-defined tasks and each profession contributes to the sound running of the company and the comfort of its customers.

Providing a quality service to citizens is a vital element in the work of Creos agents.

In their daily work, all Creos teams abide by the company's cherished values which are the quality, reliability and safety of the electricity and natural gas transport and distribution networks. They perform their tasks with respect for the environment and under motivating working conditions which guarantee their safety.

This Annual Report is illustrated with photos of Creos agents performing their respective tasks. It is impossible to present all the company's professions so we have opted for a few of the best known as well as those whose work is not so clearly visible.

In order to work under the best possible conditions, Creos staff members are well equipped. It is obligatory to wear safety clothing for some of the more exposed tasks.

All the tools used are checked regularly and breakdown vehicles are equipped so that they can respond as rapidly as possible if there is a problem. The Creos vehicle fleet covers all requirements and includes city cars and electric vehicles as well as mobile cranes, heavy lifts and specialist transport for bulky equipment.

All Creos teams are proud to serve their customers, and to guarantee their daily comfort – so that life is in motion.

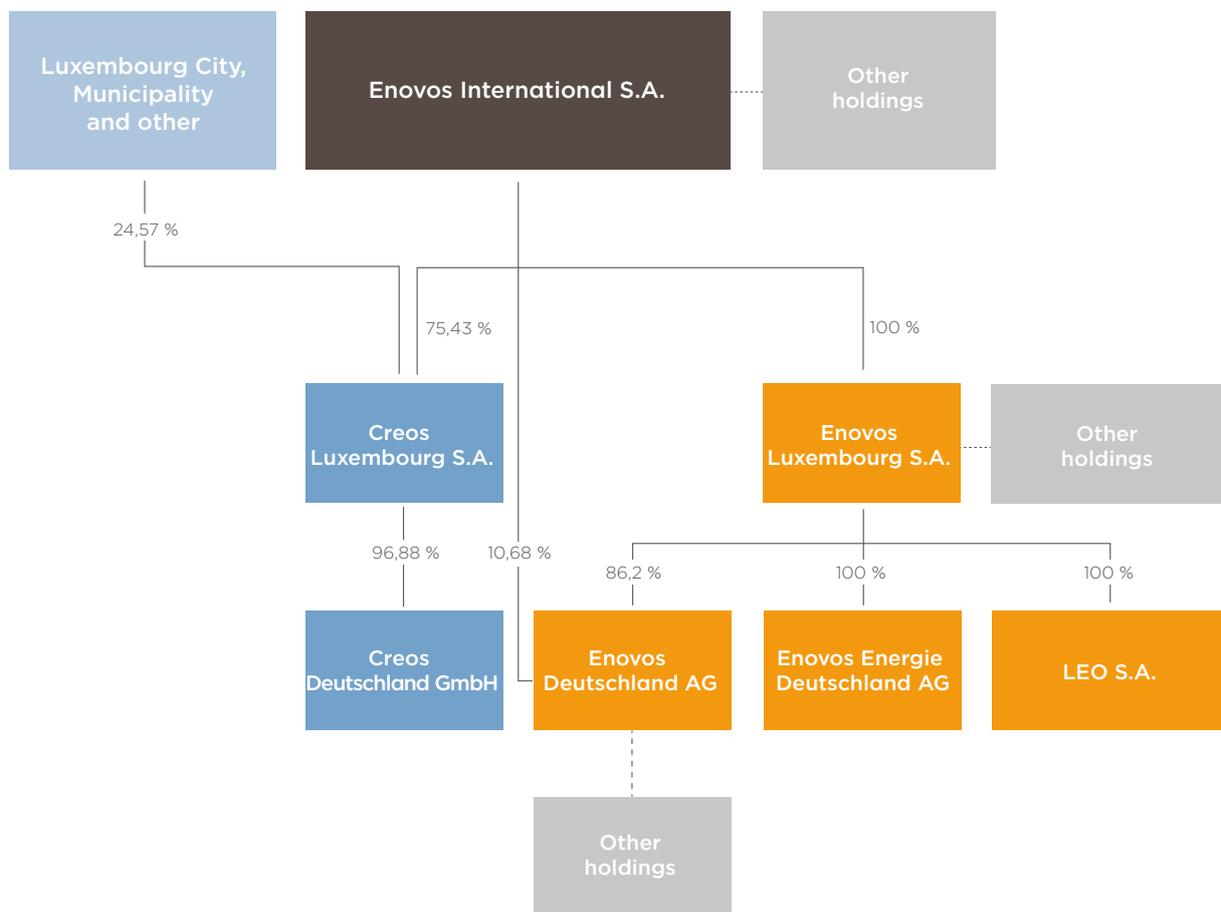
We wish you good reading.



Reception Regional Centre in Schiffflange.

1 Structure of the Enovos Group

as at 31 December 2011



2 Mission and Values

The Creos mission is, reliably and at competitive prices, to ensure the transport and distribution of energy through the electricity supply and distribution networks and the natural gas pipelines in the Grand Duchy of Luxembourg.

The company performs that task in a non-discriminatory manner fulfilling its obligations to protect the environment.

Creos is aware that certain values are vital to the performance of its tasks. Indeed, its desire is to create an image in the minds of citizens based on the quality of the services it provides.

To that end, it calls upon the skills and efficiency of its personnel for whom it endeavours to establish motivating working conditions guaranteeing their health and safety.



Inspection and data collection of high pressure gas pipelines

3 Key Figures

Key Figures for Creos Luxembourg S.A. (under Lux GAAP)		2010	2011 ⁽¹⁾
Turnover :	€	161,227,339	205,887,775
EBITDA :	€	74,213,380	86,024,761
EBIT :	€	41,755,757	45,453,866
Net profit :	€	22,795,117 ⁽¹⁾	44,084,112
Electricity:			
Electricity flow :	GWh	4,875.4	4,887.9
Electricity network peak :	MW	763.3	770.3
Total network length :	Km	7,587.2	9,013.2
Natural gas :			
Total gas network capacity :	Nm ³ /h	274,500	278,765
Gas network peak :	Nm ³ /h	272,078	259,244
Volume transported :	GWh	15,459.0	13,338.5
Network length :	Km	1,368.8	1,845.8
Workforce at year-end			
		436	643 ⁽²⁾

⁽¹⁾ Including networks in the City of Luxembourg passed to Creos Luxembourg S.A. in January 2011

⁽²⁾ Including workforce of the City of Luxembourg provided to Creos Luxembourg S.A.

⁽³⁾ 2010 net profit included an net exceptional charge of EUR 13,452,645 resulting from integration of the activities of Luxgaz Distribution S.A.

The financial year corresponds to the calendar year.

4 Corporate Governance Bodies of the Company



Mario Grotz
Chairman and
Managing Director
since April 19 2012



Romain Becker
Managing Director
and CEO

Board of Directors of Creos Luxembourg S.A. as at 31 December 2011

Etienne Schneider *	Chairman and Managing Director
Nico Wietor	Vice-Chairman of the Board
Guy Arend	Member of the Board
Romain Becker	Managing Director and CEO
Patrick Colling	Member of the Board
Fernand Felzinger	Member of the Board
Manfred Fess	Member of the Board
Stephan Kamphues	Member of the Board
Thierry Kuffer	Member of the Board
Marc Leonhard	Member of the Board
Roland Michel	Member of the Board
Jacques Mischo	Member of the Board
Georges Molitor	Member of the Board
René Reiter	Member of the Board
Christiane Schaul	Member of the Board
Jean Schiltz	Member of the Board
Claude Seywert	Member of the Board
Patrick Thein	Member of the Board
François Thoumsin	Member of the Board
Tom Eischen	Government Commissioner for Energy

* Mr Etienne Schneider, appointed Minister of Economy and Foreign Trade, presented his resignation with effect as at February 2nd 2012.

5 Messages from the Chairman and Managing Director and the CEO

Against a difficult economic background in 2011, the Enovos Group, headed by the holding company Enovos International S.A., continued successfully to follow its strategy of growth and expansion. The Group's strength rests in its total command of all the products and services associated with the value chain of electricity and natural gas, including transport and distribution via Creos.

The Enovos Group was able to finalise its merger phase, launched in 2009, and to consolidate its acquisitions and takeovers. In line with its obligations to separate its activities into non-regulated and regulated, the Enovos Group established the energy supplier Enovos Luxembourg S.A., with its principal companies Enovos Deutschland AG, Enovos Energie Deutschland GmbH and Leo S.A., as well as the network manager Creos Luxembourg S.A. with its subsidiary Creos Deutschland GmbH.

With regard to mergers, 2011 was marked for Creos in particular by the integration of the gas and electricity networks of the City of Luxembourg with effect from 6 January 2011.

Our absolute priority: security of supply

By virtue of the experience of our teams, both Creos Luxembourg and its subsidiary Creos Deutschland were able to guarantee great reliability and security of supply throughout the year. To satisfy increasing demand all over the Grand Duchy and to avoid the risk of supply shortfalls, interconnections with neighbouring countries, both for natural gas and for electricity, were reinforced in stages. Preliminary studies and negotiations with Germany, France and Belgium are progressing and should reach the realistic project stage in the near future.

A new challenge: the distribution of green energy

Globally, the success of renewable energies and their increasing share in electricity networks is resulting in longer and technically more complex distribution routes. In fact, places of production and places of consumption are frequent very far apart and scattered around Europe, from the North Sea to the Mediterranean. To put it simply, to control

these more intensive and unpredictable flows, European distribution networks must be strengthened with a view to ensuring transition to a production park based on a strong proportion of renewable energies, characterised by intermittent availability.

A new generation of meters

In the same context as controlling flows, and also to encourage customers to consume less and in a more ecological manner, traditional meters will be replaced in coming years by so-called smart meters, equipped with interactive means of communication facilitating the monitoring of electricity consumption and enabling invoicing to be simplified. They will also allow remote reading and a better control of network charges. In 2012, Creos will continue with trials of different technologies, in order to make its choice in 2013 and to fit the first replacements from 2014.

A strategy aligned to the future

Regulation of the energy sector has become more constraining and the liberalisation of markets has led to a reorganisation of numerous processes in order to permit non-discriminatory network access. For Creos, this situation leads to considerable technical investments as well as the implementation of complex tariff schemes and extensive administrative tasks.

In 2011 Creos Luxembourg had almost 650 employees, more than 275,000 supply points, more than 9,000 kilometres of power lines and some 1,900 kilometres of gas pipelines. In view of the importance of technical activity within Creos, the proportion of women is relatively low at present, but the professional equality mix between men and women has been strengthened at a Group level.

These not insignificant figures are the fruit of a merger strategy aligned to the future and a desire to succeed held by all Group teams. Offering security of supply at reasonable prices, whilst respecting the environment and social values, will remain a leading priority for the Enovos Group.

Romain Becker
Managing Director
and CEO

Mario Grotz
Chairman and
Managing Director





Cleaning and maintaining public lighting in the tunnel at Mersch.



II. Management Report

1 Financial Results of Creos Luxembourg S.A.

Summary of the Annual Accounts (according to Lux GAAP standards)

Profit and Loss Account

Turnover reached EUR 205,887,775 in 2011, (EUR 161,227,339 in 2010). This increase is principally explained by the integration in Creos Luxembourg S.A. as at 6 January 2011 of the electricity and gas networks of the City of Luxembourg. Integration of the network activity of Luxgaz Distribution S.A. which took place in May 2010 also contributed to the increase of turnover in 2011 compared to the previous year.

The current operating result (EBITDA) was EUR 86,024,762 in 2011, up 15.9% on 2010. The increase of personnel costs is linked to the provision to Creos Luxembourg S.A. by the City of Luxembourg of an additional workforce of approximately 180 people to manage network activities in the City.

Net income was EUR 44,084,112 EUR (EUR 22,795,117 in 2010). It includes a dividend received from Creos Deutschland GmbH of EUR 8,040,658 (EUR 6,587,527 in 2010). AS part of the merger with Luxgaz Distribution S.A., in 2010 net income included a net exceptional charge of EUR 13.5 million.

As for dividend, the Board of Directors proposes to the General Meeting of Shareholders that a dividend be paid of 3 euros per share.

Balance Sheet

As the Extraordinary Meeting of Shareholders held on 6 January 2011 approved the contribution of the gas and electricity networks of the City of Luxembourg to Creos Luxembourg S.A. with the issue of new shares, the share capital was increased by EUR 39,770,260 to EUR 198,851,260 and the issue premium was increased by EUR 156,379,740. The City of Luxembourg thus became a new shareholder of the company with a holding of 20%. The percentages of other shareholders in Creos Luxembourg S.A. went to 75.43% for Enovos International S.A., 2.28% for the Luxembourg State, 2.18% for the Communes and 0.10% for the Fédération des Artisans.

Risk Management Objectives and Policies

An Audit Committee is in place with task of assisting the Board of Directors in its company management function. This Committee also ensures the quality of the financial statements, the good operation of internal and external audit and Risk Management as well as the efficiency of internal control and risk management procedures.

The principal risks facing the company are network damage in certain climatic events, accidents to people (internal and outsiders) and liquidity and credit risks.

Outlook

Creos Luxembourg S.A will continue in 2012, and the years that follow, to implement a plan for investment and major maintenance, to modernise its networks and to ensure safety and reliability. The company will also prepare to meet the major challenges it expects, namely to introduce so-called "smart grids and meters". Moreover, the integration and harmonisation of management systems and procedures will continue.

A public consultation is currently being performed by the Luxembourg Institute of Regulation on draft regulations fixing the methods of setting tariffs for the utilisation of transport and distribution networks with the introduction on 1 January 2013 of new "incentive" regulations.

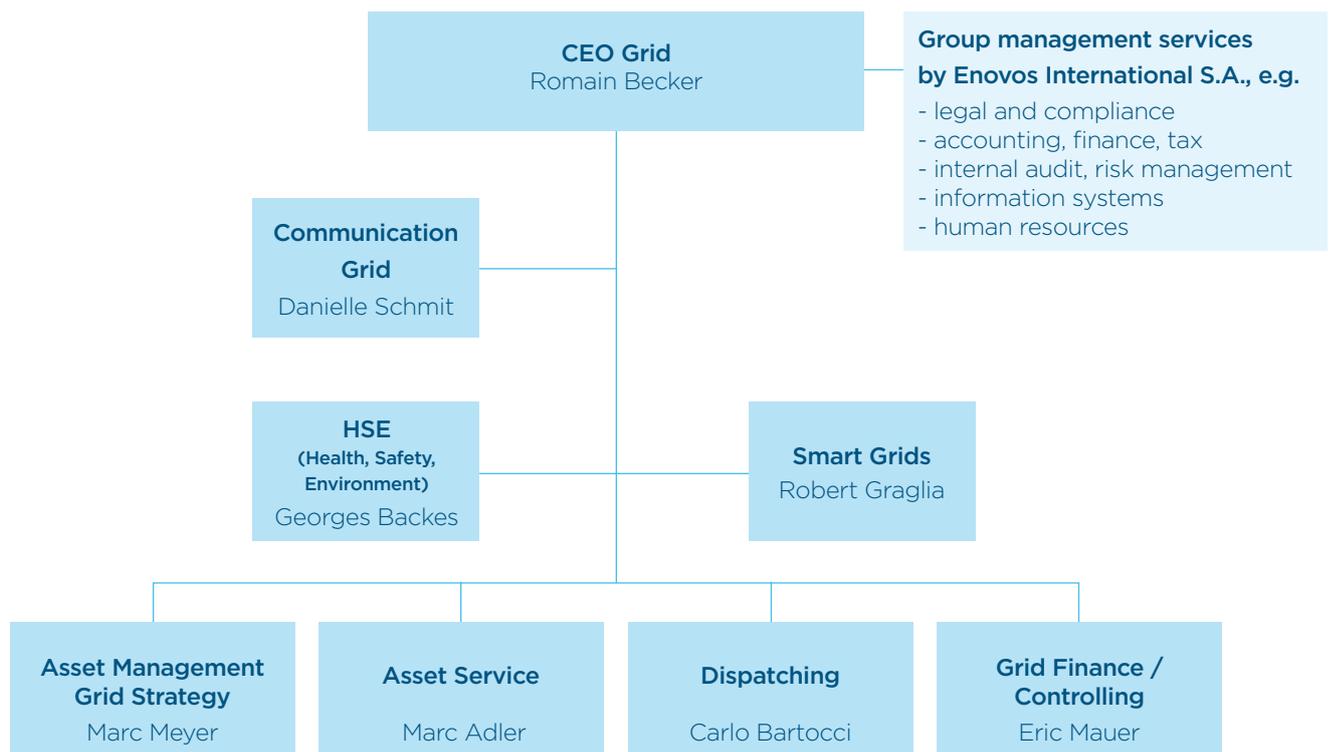
At this stage the company does not foresee any technical of financial development likely to raise issues as to its economic and financial balance.



Management Committee. From left to right: Carlo Bartocci, Marc Adler, Romain Becker, Eric Mauer, Marc Meyer.

2 Internal Organisation Creos Luxembourg S.A.

As at 1 January 2012



3 Evolution of Energy Demand

After a net recovery of energy demand in 2010, the year 2011 showed signs of a slowdown or even a stagnation of economic activity.

Electricity demand in particular is a good indicator of that activity, as there is a strong correlation between the evolution of GDP and increased electricity demand.

In fact that demand only rose very weakly in 2011, with an increase of 0.3%. Furthermore, efforts towards energy saving began to bear fruit, particularly in the residential sector which has posted stable demand for some years despite population growth.

In the natural gas sector we observe a notable fall in demand, essentially due to very mild climatic conditions during the first months of 2011 and a programmed stoppage of the Twinerg TGV station. Home heating is in fact responsible for a major proportion of the demand for this energy source, but this is not the case with electricity which is less sensitive to the effects of climate.

Administrative Coordination Committee. From left to right: Robert Graglia, Paul Hoffmann, Tania Lanners, Danielle Schmit, Georges Backes, Pascal Hubert.



Electricity

Movement of electricity

Demand up 0.26%

Total electricity injected nationally,

- by 220 kV interconnection lines,
- by self-production with customer recording, or
- by home sources of production connected to Creos networks or those of the 4 municipal or private distributors,

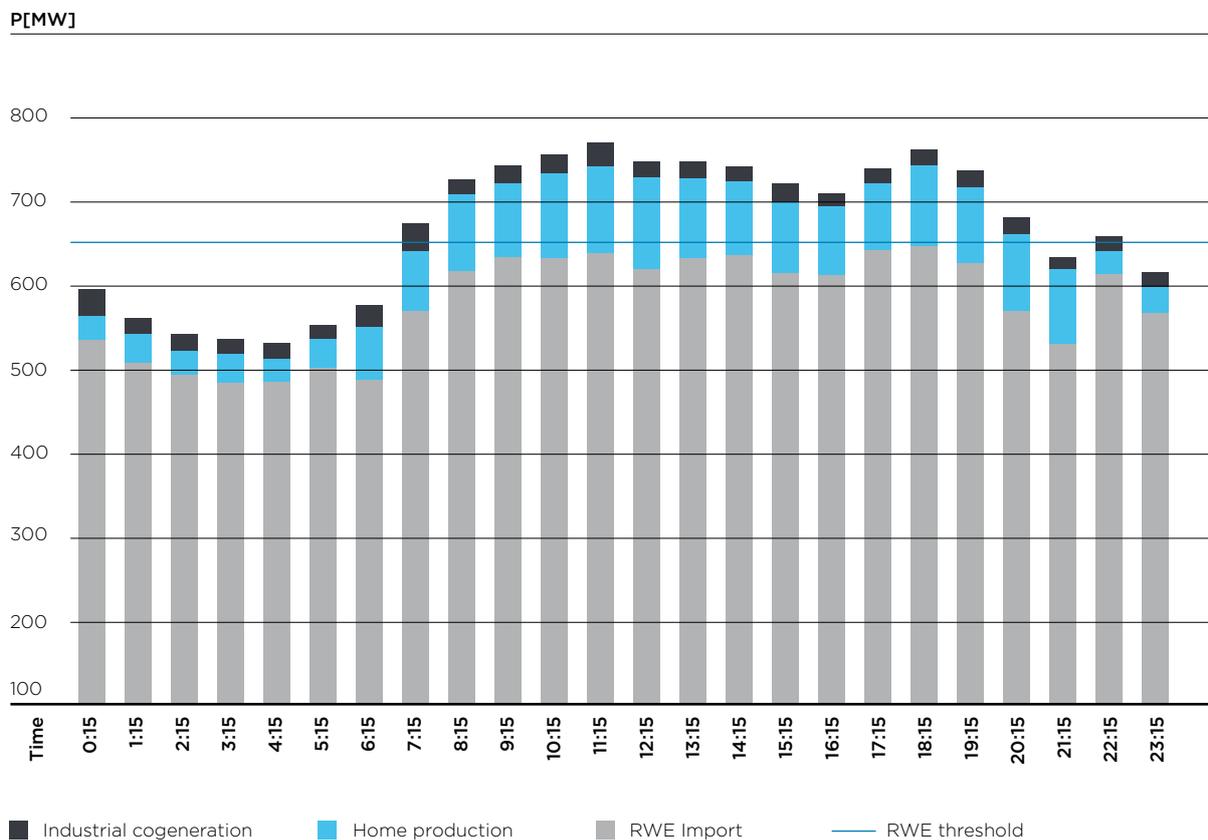
was **4,887.9 GWh** in 2011 (4,875.4 GWh in 2010), representing an increase of national demand, excluding the SOTEL network, of **0.26%**.

National peak

The national peak reached in 2011 was **770.3 MW**, against 763.3 MW in 2010. This peak was recorded on 1 February at 12.00.

The period of utilisation for the year 2011 was **6,535 hours**. The maximum network utilisation rate was therefore **74.6%**.

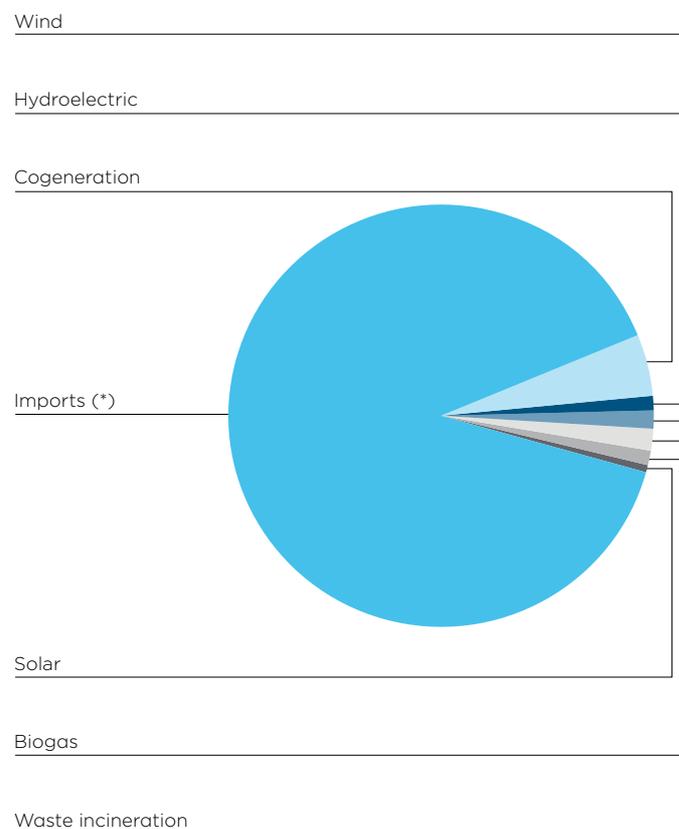
Evolution of national load during the day of 1 February 2011



Total electricity demand in the networks of Creos Luxembourg

Injections into the network (including local networks)

	GWh	%
Cross-border exchanges		
Imports (*)	4,243.8	86.8
Home production		
Cogeneration	225.6	4.6
Hydroelectric	55.9	1.1
Wind	64.1	1.3
Waste incineration	83.0	1.7
Biogas	52.7	1.1
Solar	20.9	0.4
Third party network production	141.9	2.9
Total injection	4,887.9	

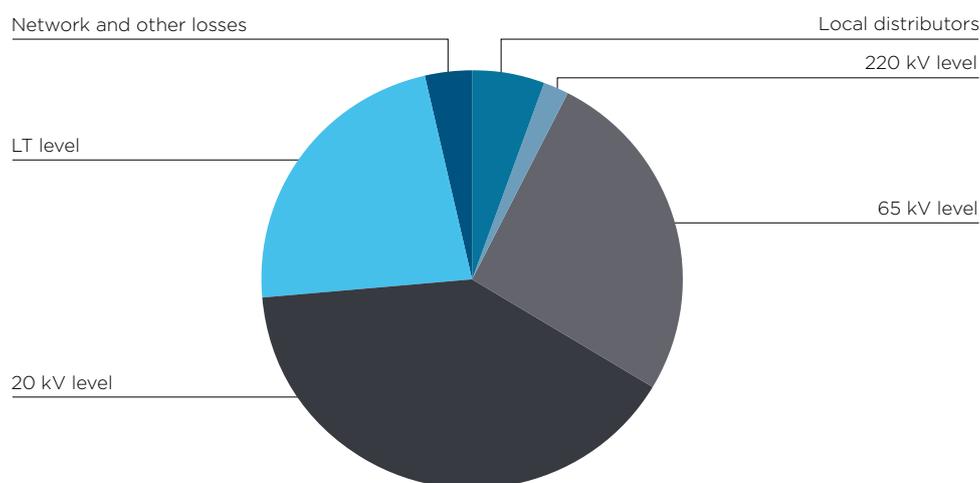


(*) including 100 MW Twinerg quota

Total electricity demand in the Creos networks

Demand by tension level

Demand	GWh	%
Local distributors	277.1	5.7
220 kV level	95.6	2.0
65 kV level	1,276.3	26.1
20 kV level	1,952.1	39.9
LT level	1,121.1	22.9
Network and other losses	165.7	3.4
Total demand	4,887.9	



Variation of total electricity demand by sector

(in GWh)	2010 *	2011	Variation
Final customers			
Industrial sector	1,334.4	1,372.0	+ 2.8 %
Commercial sector	1,936.1	1,952.1	+ 0.8 %
Residential and small business	1,156.2	1,121.1	- 3.0 %
Local distributors	276.1	277.1	+ 0.4 %
Network and other losses	172.6	165.7	- 4.6 %
Total	4,876.5	4,887.9	0.3 %

* The demand 2010 of Ville de Luxembourg is presented by sector.

Natural gas

Volumes transported :

In 2011, the volume carried on the transport network was down 14% at a total of 13338 GWh (15459 GWh in 2010).

CREOS TSO	2010	2011
Total capacity routed on the transport network (Nm ³ /h)	274,500	278,765
Gas network peak (Nm ³ /h)	272,078	259,244
Total volume routed on the network	15,459 GWh	13,338 GWh

Total natural gas demand evolved as follows:

(in GWh)	2010	2011	
Final customers			
Industrial sector	4,567.3	4,471.7	- 2.1 %
Large scale electricity production	5,223.4	4,036.9	- 22.7 %
Local utilities	5,668.2	4,829.8	- 14.8 %
- of which Creos (Luxgaz + VdL)	3,550.3	3,063.2	- 13.7 %
Total	15,459 GWh	13,338 GWh	- 14 %

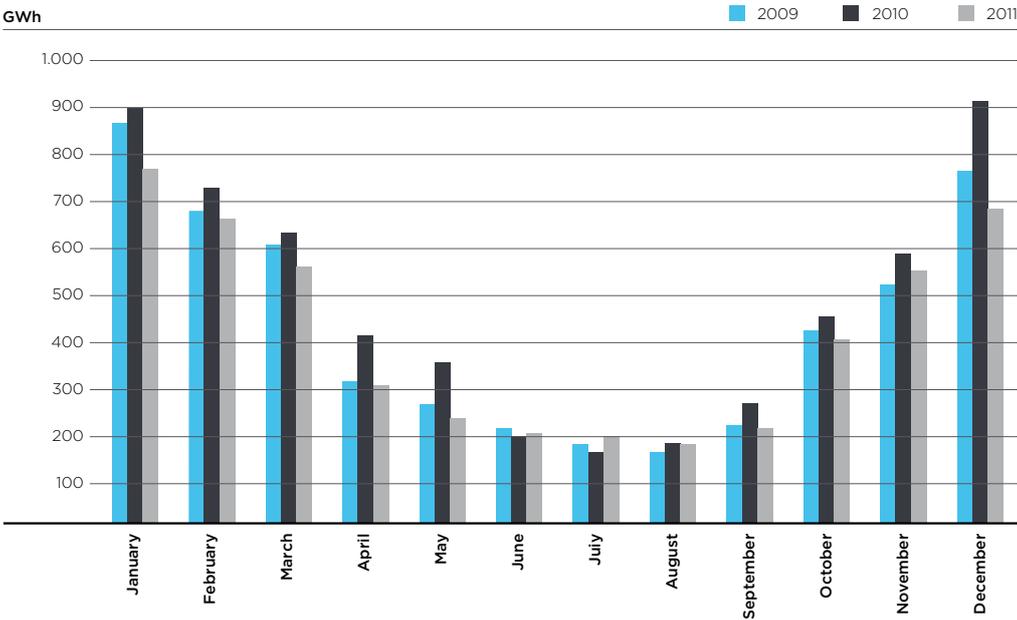
The fall in natural gas demand is due to very mild climatic conditions at the beginning of 2011, as well as the prolonged stoppage at the Twinerg station for maintenance work.



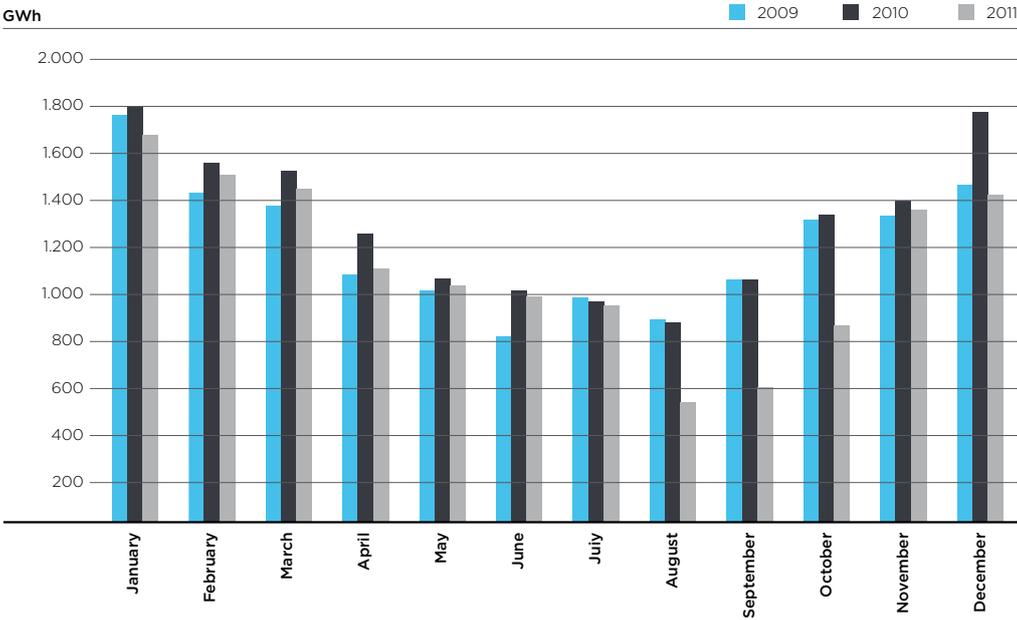
Installing a gas meter.

Evolution of demand in 2011 per sector (transport and distribution)

Demand of public utilities per month

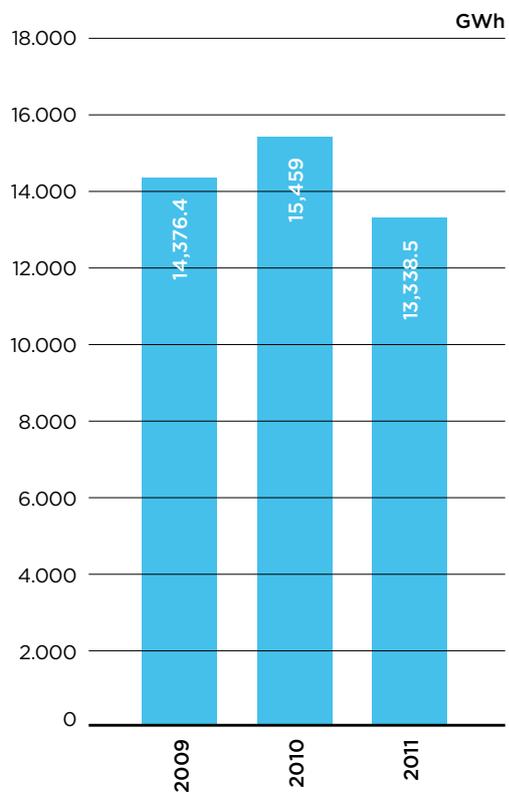


Total demand from January 2009 - 2011 per month

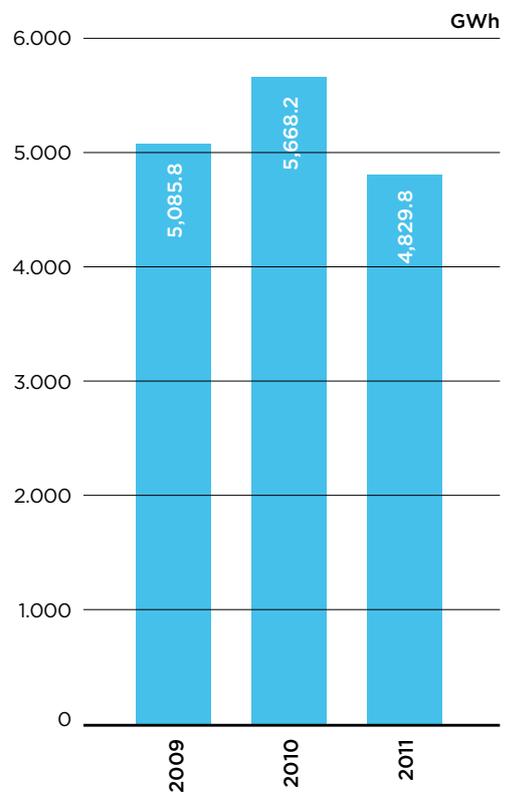


Volume of natural gas transported per annum

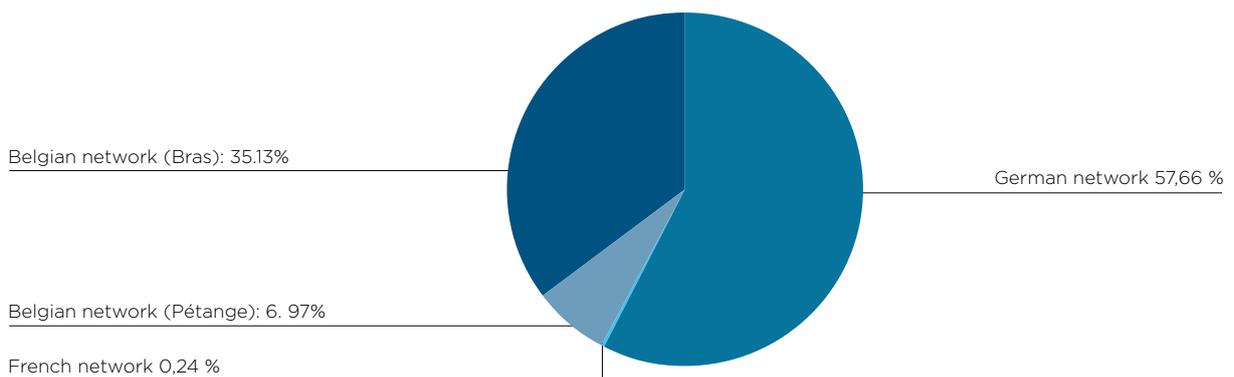
Total demand



Public utilities



Breakdown of flows per point of entry to the transport network



Geo-location data collection for natural gas pipelines.



4 Technical Activity

Electricity

Network and interconnection planning

A sure and reliable energy transport and distribution infrastructure is a key element guaranteeing the well-being of citizens and the sustainable development of a country's economy. That is why Creos invests all its efforts in designing future electricity and gas networks to achieve a long-term guarantee of the current level of availability and security of supply.

Electricity

In coming years, Luxembourg will have to deal with major changes in the transport and distribution of electricity. The development of the telecommunication and electro-mobility sectors as well as demographic evolution in Luxembourg challenge Creos to develop additional capacities vis-à-vis neighbouring countries in order to cover electricity demand requirements by 2020.

At a European level, the European Commission has stated the need to progress to a level of integration of the electricity markets and the development of renewable energies. This strategic orientation combined with political decision in some member states to cease nuclear production of electricity obliges European managers to adapt their networks accordingly. Major investments in networks are necessary to meet the challenges of restructuring the energy sector in Europe.

That is why Creos has collaborated with the managers of adjacent networks to launch a project dedicated to analysing the options of additional interconnection with Belgium or France. Members of the working party signed a White Paper in November 2011 signalling their desire to cooperate in this joint project. The University of Aachen was charged with making a market study and analysing the impact of a new interconnector on network security and market integration. The conclusions of the study enabling Creos to make its selection in relation to the interconnection variants analysed

will be available in the second half of 2012.

Work carried out in 2011

Creos has to look after and to develop an electricity infrastructure capable of satisfying the energy demands of a constantly increasing population, as well as a state-of-the-art high technology industry which is extremely exacting when it comes to the quality of supply.

It should be pointed out that particular effort was dedicated to strengthening the high-tension infrastructure, above all in the south and south-east of the country. Infrastructures were adapted to the specific conditions of those regions.

The 220 kV network

The 3-phase 220 kV line SCHIFFFLANGE - TGV - SOTEL - OXYLUX

Work on the link between the TGV power station and the SOTEL substation, with a view to establishing a 220 kV Schiffflange-Oxylux-Schiffflange loop, is ongoing and its completion is planned for the end of 2012.

The Schiffflange substation

Technical engineering work in the 220/65/20 kV Schiffflange substation is complete, whilst infrastructure work in the 220 kV part of the substation will continue in 2012.

The Heisdorf substation

The replacement of the tailored transformers on the 220/65 kV transformer spans at the 20/65/20 kV Heisdorf substation was completed in March 2011.

Preparatory work with a view to installing a new emergency unit is ongoing so that the unit can be commissioned in the first half of 2012.

Creos Dispatching at Heisdorf

At Dispatching, work was begun for the extension and adaptation of the pipeline centre for the SCADA networks. This work will continue until the end of 2012.

Work to install air conditioning in the Dispatching building at Heisdorf was finished in October 2011.

The Flebour substation

Work to replace the low tension part has begun and will continue in 2012.

The 220 kV loop around the City of Luxembourg

Studies into completing the 220 kV lines Heisdorf - Itzig/Blooren and Itzig/Blooren - Berchem are in progress, with a view to completing a 220 kV loop around the City of Luxembourg.

The same applies to studies for the installation of a 220/65 kV transformer and distribution substation at Itzig/Blooren.

Increasing the transport capacity of 220 kV overhead lines

Work on increasing the transport capacity of the 220 kV Heisdorf - Roost line was completed in June 2011.

Work to increase the transport capacity of the 220 kV Bertrange - Bascharage line, currently operated at 65 kV at the entry to the Bertrange substation, was finished in May 2011.

Various 220/65/20 kV substations

Work to replace data transmission equipment is ongoing.

The 65 kV network

The northern region

Work to install an additional 65/20 kV transformer unit at the Flebour substation began in April 2011 and will continue until the end of 2012.

Studies and preparatory work on the 65 kV lines Lentzweiler - Troisvierges and Roullingen - Lentzweiler are ongoing with a view to closing the loop in the north of the country.

Work on the underground part of the 65 kV 1-phase line from Roost to Colmar/Industries is ongoing and will last until mid-2012.

Work to install leakage protection on the 65 kV 3-phase line from Flebour to Ingeldorf was completed in December 2011.

The eastern region

Studies and preparatory work on a 65/20 kV transformer and distribution substation in the audiovisual zone in Betzdorf are ongoing, to feed electricity to the new P&T DATACENTER in Betzdorf.

Studies and preparatory work on the 65 kV dual circuits line from Wecker/Biwer to Betzdorf with a view to connecting to the new sheathed 65/20 kV substation in the audiovisual zone at Betzdorf is continuing.

Work on renewing the 65 kV Junglinster - Freckisen line will continue until April 2012.

The western region

Studies and preparatory work on a on a 65 kV line between the 65/20 kV substations at Koerich and Rédange are ongoing with a view to closing the loop in the west of the country.

Studies and preparatory work on fitting out a 65/20 kV transformer and distribution substation in Windhof are ongoing, and studies on renewing the Bascharage - Windhof overhead line.

The south-western region

Earthworks with a view to installing a dual-circuit underground line between the new 220/65/20 kV substation at Itzig/Blooren and Kalchesbruck are ongoing, and the underground lines Itzig/Blooren - Erpeldange and Itzig/Blooren - Aspelt.

Studies and preparatory work on the installation of a new 65/20 kV transformer and distribution substation as part of the new 220/65 kV substation at Itzig/Blooren are ongoing.

The southern region

Studies and preparatory work on replacement of the 65/20 kV transformer and distribution substation at Esch/Ehlerange are ongoing.

Work on an underground 65 kV dual-circuit line from Bascharage to Woiwer, from the 65/20 kV substation in Bascharage, will continue until the end of 2012.

Work on a new 65/20 kV transformer unit at the 65/20 kV "Galvalange" substation at Dudelange was completed in December 2011.

Work on a 65 kV starter unit at the 65/20 kV "Riedgen" substation was completed for work on the site to commence at the beginning of 2012.

Work on a 65 kV dual-circuit underground line from Ehlerange to Belval/AGORA continues.

Work to replace cables and insulators on the 65 kV Schiffflange - SIDOR overhead line were completed in June.

Work on installing reserve channelling on the first part of the route from Esch to Ehlerange with a view to establishing the 65 kV Ehlerange - Paafeweewee and Ehlerange - Sanem loops was finished at the end of 2011.

The central region

Studies into the installation of the new 65/20 kV "Kirchberg C" transformer and distribution substation are ongoing.

Preparatory work in the low current part of the transformer and distribution substation was completed for work to start at the beginning of 2012.

Preparatory work on the 65/20 kV "Belair" extension and transformer substation was completed for work to start at the beginning of 2012.

Earthworks to bury various underground lines are ongoing.

Replacing the conductors and insulator chains of 65 kV lines

This work enables technical line security to be safeguarded and is part of a programme covering the entire 65 kV network.

Work to replace cables and insulators on the 65 kV Schiffflange-SIDOR overhead line were completed in June.

Work to replace conductors and insulator chains on the 65 kV Potaschbiereg - Grevenmacher overhead line was finished at the end of August.

Modernisation of the 65/20 kV transformer substations

Work to modernise the equipment of the various 65/20 kV transformer substations continues.

The 20 kV network

The extension of the medium-tension network was continued with new loop lines and the creation of additional 20 kV outlets from 220/65/20 kV and 65/20 kV substations. These investments enable the number of clients affected by any incident to be reduced.

As part of the renewal and extension of the medium-tension network, 29 new 20,000/400 V transformer substations were constructed, with 19 replacing old substations. These are frequently projects implemented with and on the request of communal administrations, which ask for the replacement of old substations on beams with armoured boxes in reinforced concrete or the like. CREOS furthermore confirms its undertaking gradually to reduce the proportion of aerial medium and low-tension lines.

All new medium-tension lines have been placed underground, the rate of medium-tension cabling amounting at present to 64.7%.

The low-tension network

Creos has reinforced and modernised its networks in many villages by placing low-tension networks underground. Globally, the network has increased by 56.85 km.

All of these new lines are underground. At the end of 2010 the rate of such cabling was 94%.

The collaboration between Creos and the communes is developing positively. All sites are systematically coordinated with the distributors of natural gas, the Bridges and Highways Department, the Post and Telecommunications Organisation and so on, in order to achieve a maximum reduction in the costs of burying lines and any inconvenience caused to inhabitants.

As for low tension, 4,125 new 3-phase connections were established in 2011.

Miscellaneous investments

The programme to modernise meters continues with a view to installing load curve smart meters to all high and medium-tension customers.

The new regional opening Centre and workshops in Roost

Earthworks were begun in November 2011 and work on the new Creos operating centre will continue until 2014.

Evolution of the different networks

Network evolution		01/01/2011*	31/12/2011*
Transformer substations of 20,000 to 400/230 V:	(number)	2,418	2,428
Low-tension lines (400/230 V):	overhead (km)	324.2	318.6
	underground (km)	4,858.4	4,999.2
	Total LT (km)	5,182.6	5,317.8
	Underground rate	93.7 %	94 %
Medium-tension lines (20 kV + 5 kV):	overhead (km)	1,130.1	1,115.1
	underground (km)	1,862.6	2,044.4
	Total MT (km)	2,992.7	3,159.5
	Underground rate	62.2 %	64.7 %
High-tension lines: 65 kV 2-phase:	overhead (km)	187.8	187.3
	underground (km)	19.4	19.1
High-tension lines: 65 kV 1-phase:	overhead (km)	206.8	199.7
	underground (km)	2.2	2.2
	Total 65 kV	416.2	408.3
High-tension lines: 220 kV (1):	overhead (km)	122.5	122.4
	underground (km)	5.2	5.2
	Total 220 kV	127.7	127.6
Total	(km)	8,719.2	9,013.2

1) including Schiffflange-Bascharage-Bertrange (18.7 km) temporarily operated at 65 kV

* including the electricity network of Luxembourg-Ville

Underground cables

Creos has undertaken to make particular efforts to place networks underground in villages and their surroundings when renewing lines, or when carrying out new work.

As a consequence of that undertaking, the length of overhead lines has been reduced as follows in relation to the reference date of 31 December 1992 :

Total length of the overhead network :	Variation compared to 31.12.1992 :
End of 1992: 2,496 km	0 km
End of 2011: 1,943 km	- 553 km

Transformer and distribution substations

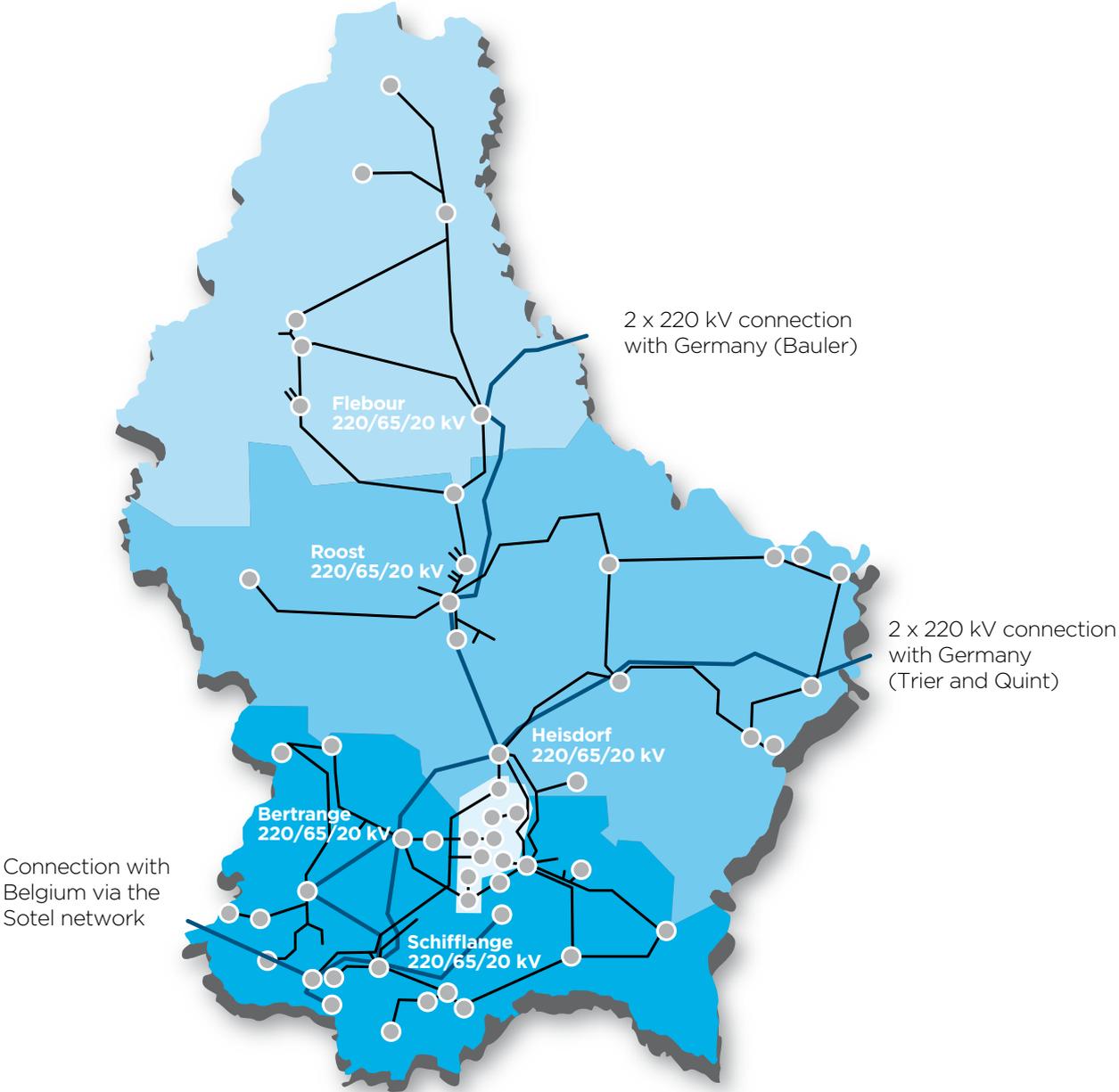
	Creos substations number	Client substations number	Total
220/65/20 kV	6	2	8
65/20 kV (65/5 kV)	44	21	65
20/0.4 kV	2,428	1,883	4,311

The number and power of transformers installed in those substations

	Belonging to Creos		Belonging to clients		Total
	Number	Power	Number	Power	
220/65 kV	13	1,980 MVA	4	220 MVA	2,200 MVA
65/20 kV (65/5 kV)	84*	2,279 MVA	52*	663 MVA	2,942 MVA
20/0.4 kV	2,428	1,179 MVA	2,036	1,425 MVA	2,604 MVA

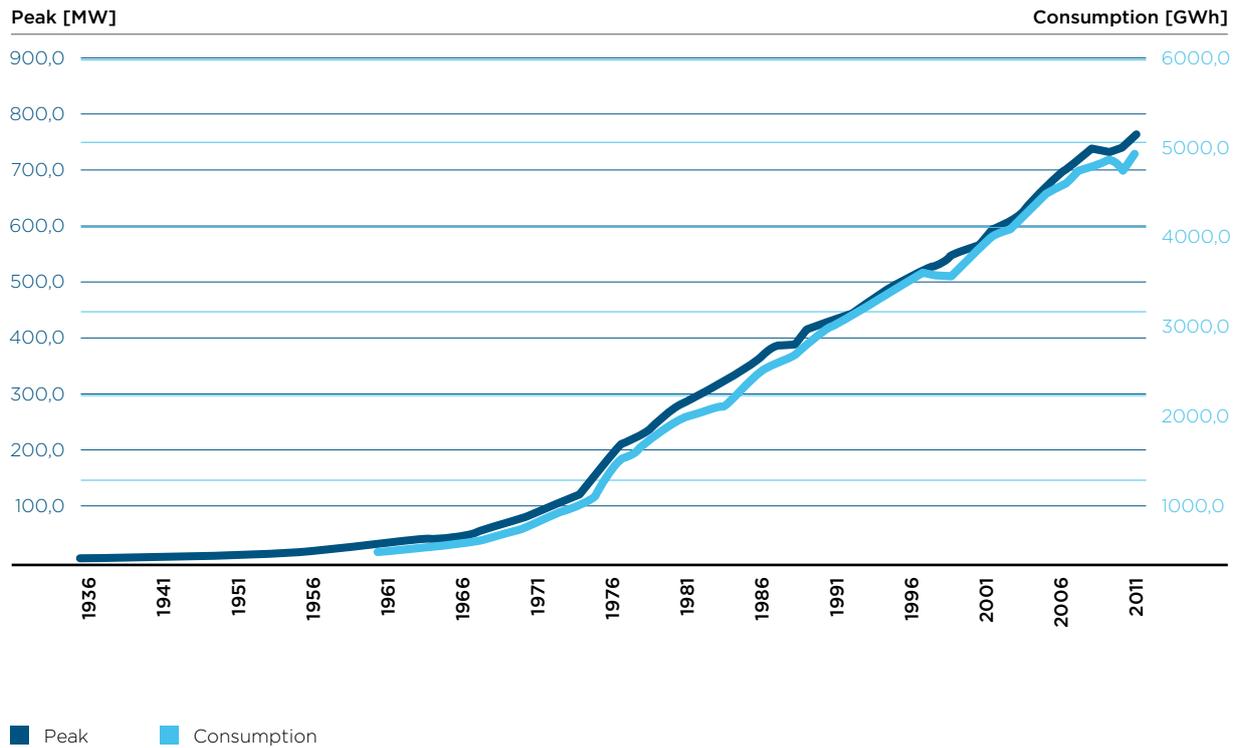
* without reserve transformers

The high-tension electricity network



Evolution of the peak and network demand from 1936 to 2011

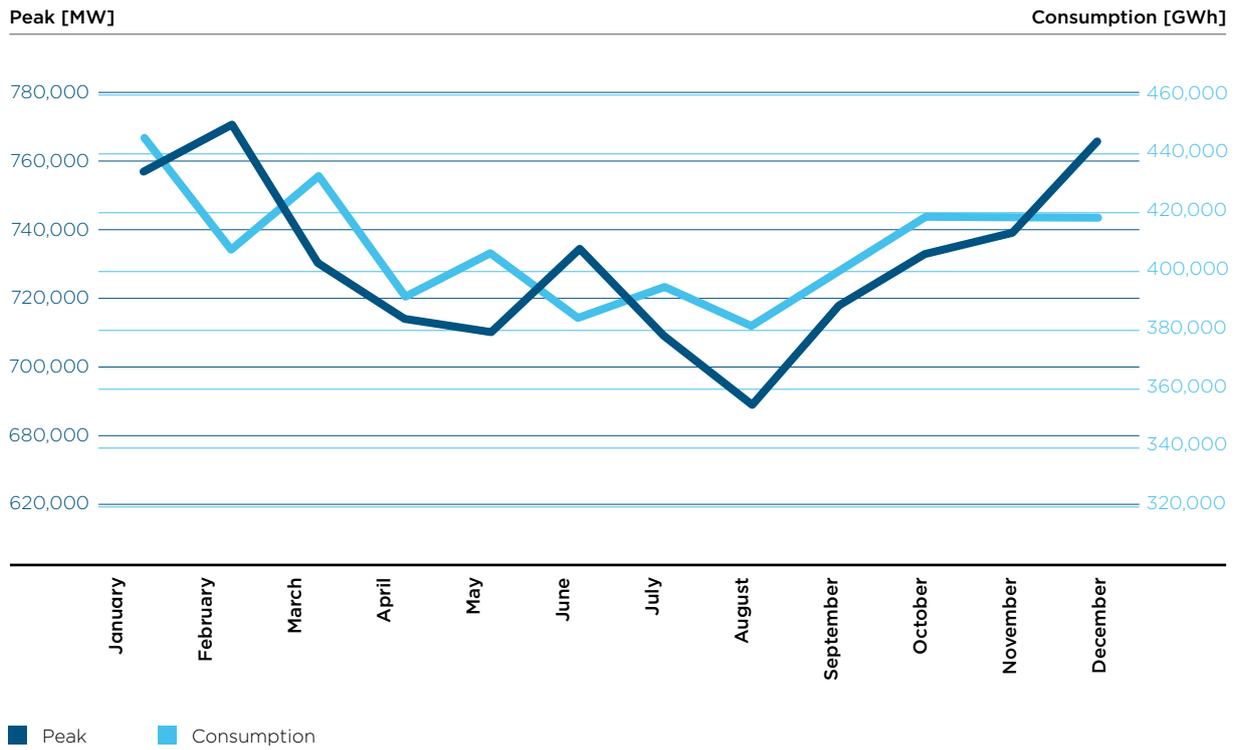
Grid peak and demand on the network managed by CREOS Luxembourg



Surveillance of high and medium-tension power lines in the control room in Heisdorf.



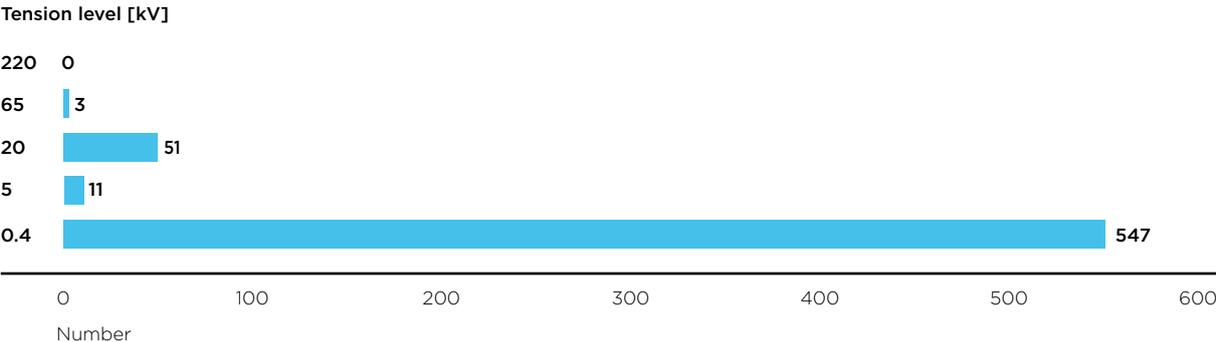
Grid peak and demand in 2011



Reliability of the electricity network

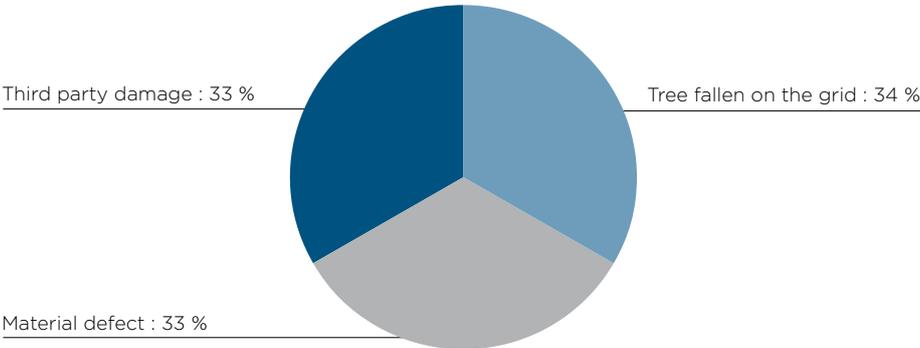
Our aim is provide our customers with a reliable and high-quality electricity network, and we endeavour to reduce any interruption of current or electrical incident to a strict minimum. The chart below represents the total number and duration of interruptions of current occurring in 2011.

Interruptions of the network of Creos Luxembourg S.A. in 2011 (220 kV, 65 kV, 20kV, 5 kV and 0.4kV)

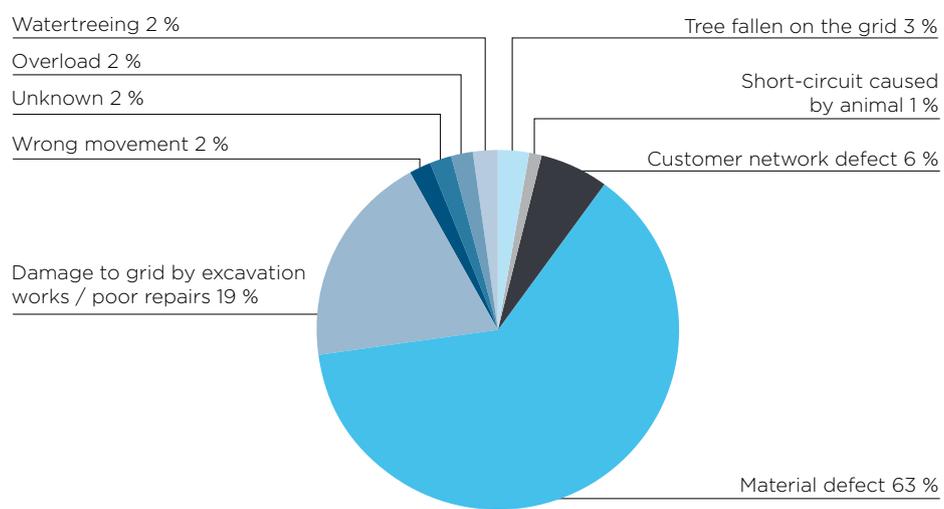


Causes of interruptions at the different tensions

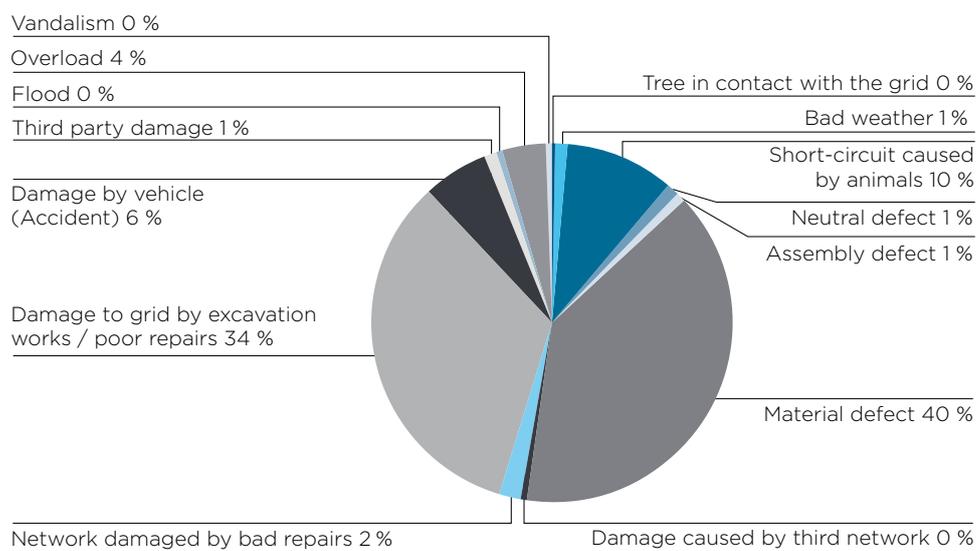
Level 65 kV:



Level 20 kV + 5 kV :

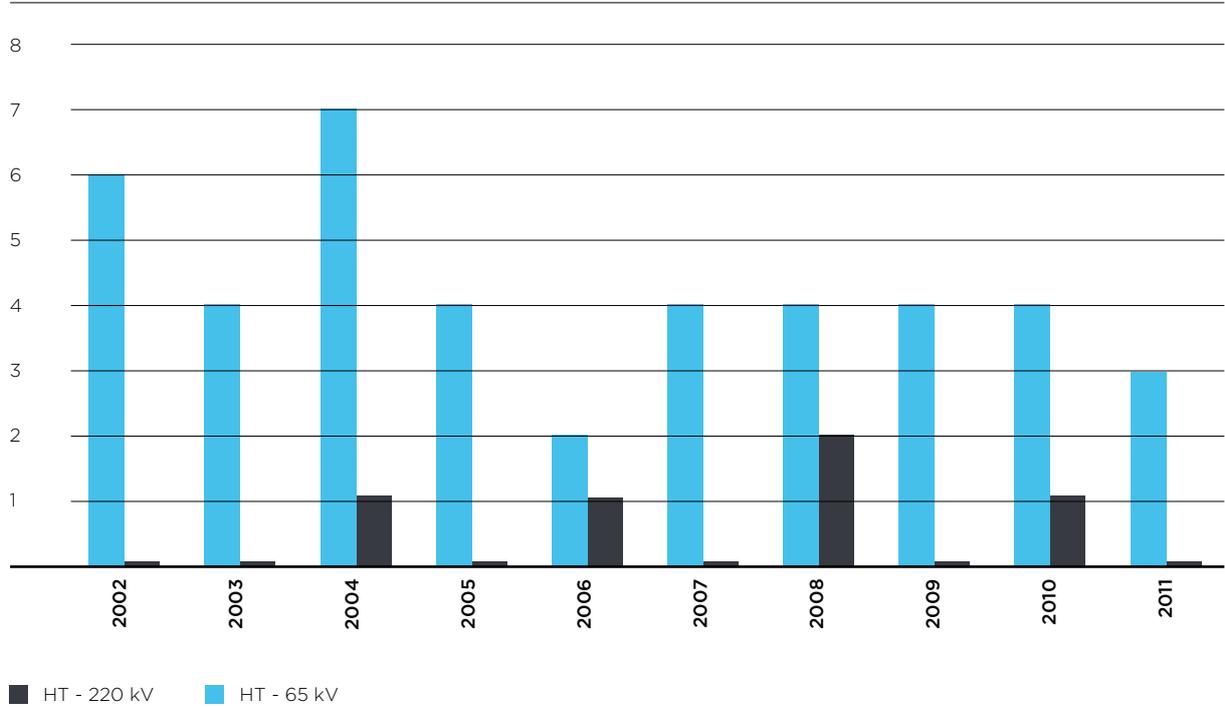


Level 0.4 kV :



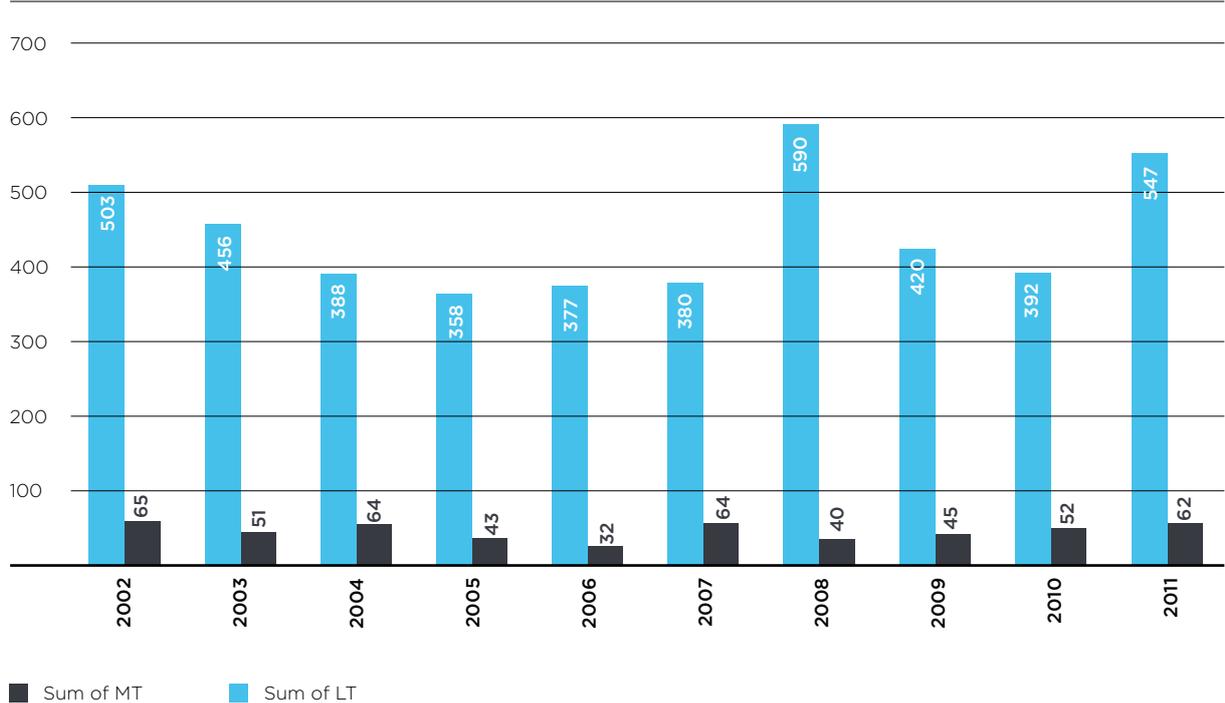
Perceptible interruptions 220 kV and 65 kV (> 3 min) between 2002 and 2011

Number of interruptions



Perceptible interruptions 20 kV and 0.4 kV (> 3 min) between 2002 and 2011

Number of interruptions



Natural gas

Network planning and interconnection

Within the context of diversifying the supply of natural gas in Luxembourg and integration of the energy markets as recommended by the European Commission, at the end of 2010 Creos launched a market consultation to consider the interest in transmitting additional capacity from France to Luxembourg. This new interconnection point would be added to those from Germany and Belgium, now offering three supply routes to local markets and increasing the country's security of supply.

The consultation was run in close collaboration with GRTgaz, the French network manager responsible for carrying gas to the frontier with Luxembourg, in line with the standardised Open Season procedure.

This procedure provides for an assessment of the interest for suppliers at the various price levels offered, first of all non-committal and then secondly with suppliers making irrevocable commitments.

The non-committal phase, launched in 2010, showed sufficient evidence of interest in continuing the procedure.

Technically there are two possibilities, either a 9 GWh/day supply route or the development of a 40 GWh/day capacity. The choice between the two depends on the results of the committal phase and remains open.

The past year saw the preparation of different contracts between GRTgaz and Creos on the one hand and potential customers and Creos on the other, in close collaboration with the French and Luxembourg regulators.

Similarly, economic viability calculations were launched for the two variants, with a view to the results obtained in the non-committal Open Season phase.

The launch of the committal Open Season phase is planned for the first half of the year 2012.



Assembly and installation of medium pressure gas.



Pruning close to a high-tension power line.

Work done in 2011

Creos has to maintain and develop an infrastructure capable of satisfying increasing demand for natural gas.

Station at Pétange

In order to improve the effective management of our equipment, Creos Luxembourg modified an aerial valve set at substation A in Pétange. In fact, the substitution of exterior valves with a subterranean and motorised valve set took place in the autumn of 2011.

Application of the “stopple” technical process (modification of a pipeline under pressure) guarantees the uninterrupted supply of natural gas to neighbouring communes and our individual customers.

Bridel loop

The increase in natural gas demand in the City of Luxembourg necessitates a strengthening of our distribution network in Rollingergrund over the me-

dium term. The pre-project realised in 2011 defined an appropriate route for the loop, and our high-pressure networks between Bridel and Rollingergrund over a length of 2.5 km. At the same time, this investment increases the transport capacity of the Creos HP network. The modifications to regulation lines will be made before the holidays in 2012, and the positioning of a pipeline in 2013.

Extension of the Creos Luxembourg network towards Mertzig / Grosbous

Creos Luxembourg is extending its network (d 225 MP) towards Mertzig. Work is taking place in stages, of which some have been completed, in particular the part crossing the village of Mertzig.



The overall project will in principle be divided into 3 lots:

Lot 1 : Creos / SIDEN project: Niederfeulen - Mertzig	L = +/- 2,000 m
Lot 2 : Creos project / crossing the village of Mertzig	L = +/- 1,900 m
Lot 3 : Creos / SIDEN project : Mertzig -Grosbous	L = +/- 1,980 m
Total	L tot = 6,630 m

The joint Creos / SIDEN work will commence in February 2012. The entry of the connected distribution networks into service is planned for 2013.

As for the distribution network, the work of installing low and medium-pressure networks in the communes is continuing.

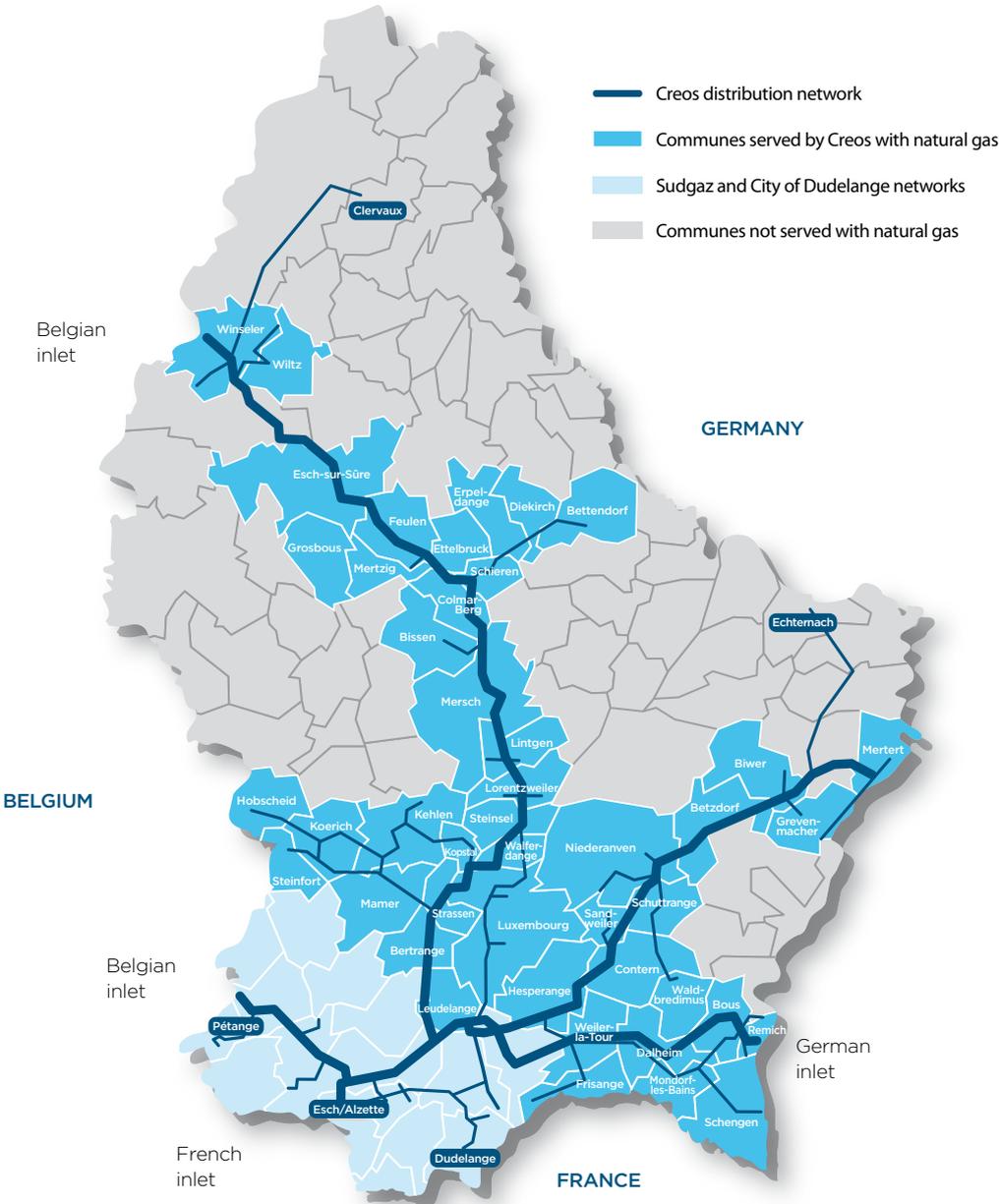
Creos Luxembourg installed 33.35 km of main pipelines in 2011, with 1,375 new connections.

	Former Luxgaz network	City of Luxembourg	Total
Installing MP/BP pipelines 2011	30.80 km	2.55 km	33.35 km
New connections 2011	1,181	194	1,375

Key figures for the Creos network

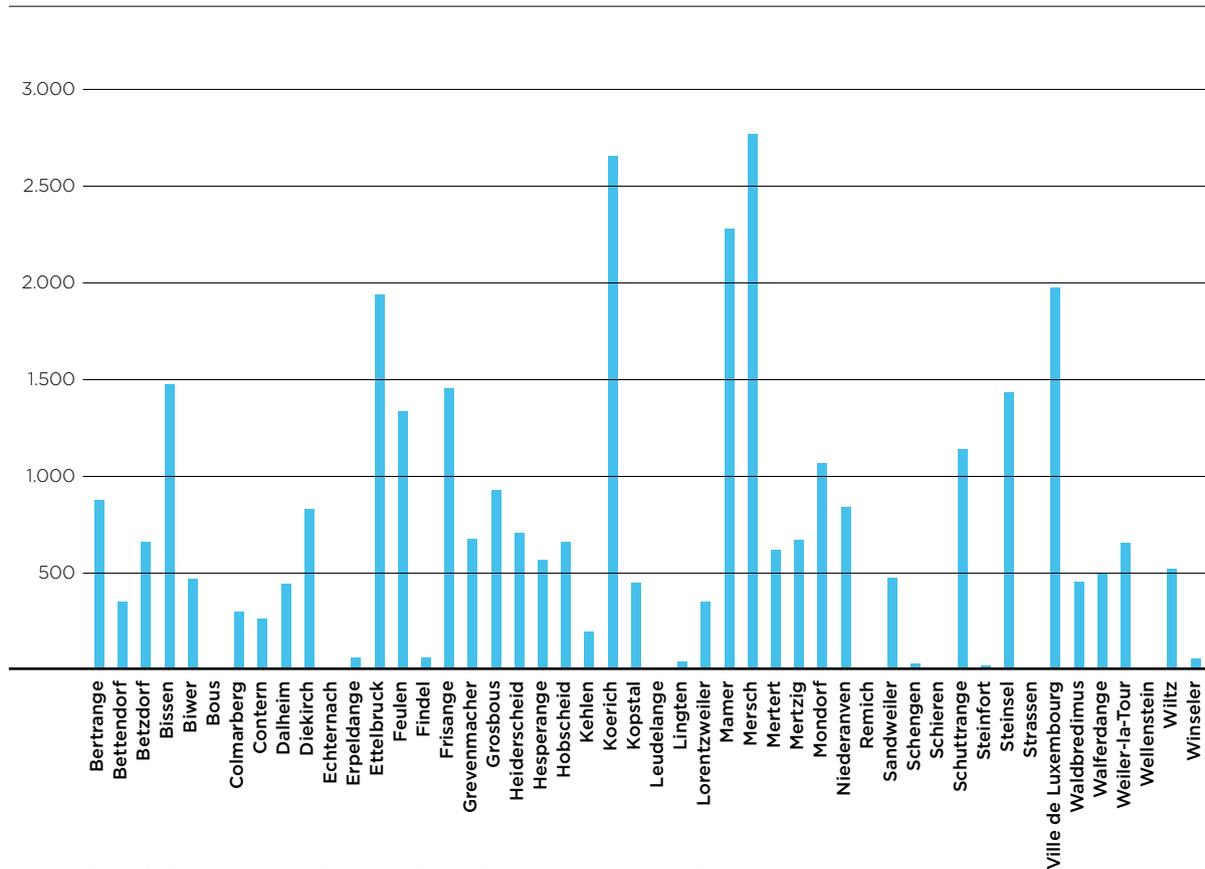
Transport (HP) network	2010	2011	Variation
Length (Km)	412	412	
Volume transported (GWh)	15,459	13,338	- 14 %
Distribution (MP/BP) network			
Length (Km) (without Luxembourg-Ville)	957.2	1,473.3	+ 49.5 %
Volume transported (GWh)	3,550.3	3,063.2	- 13.7 %

The natural gas network



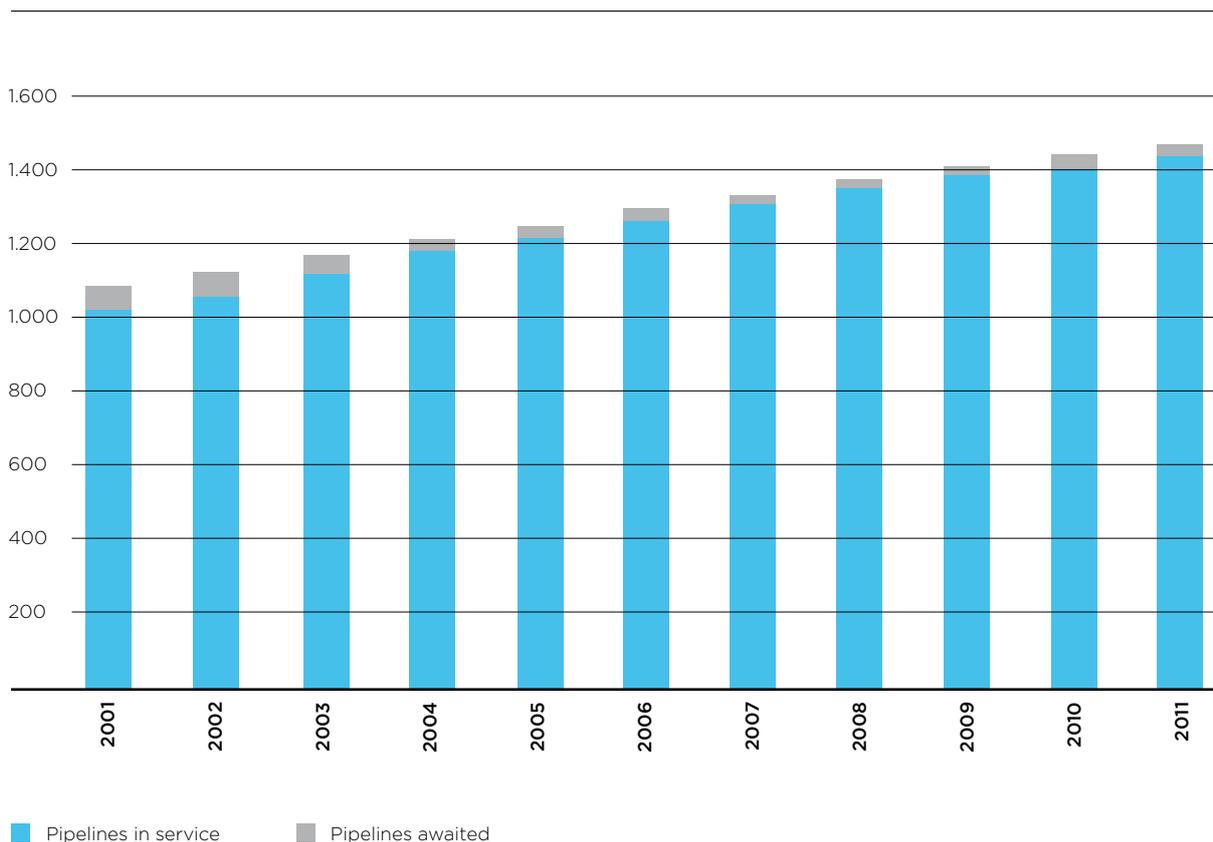
Evolution of the natural gas distribution network

Statistiques 2011 - Pipelines installed by Communes



Length of the natural gas distribution network

Pipelines in service / awaited



■ Pipelines in service ■ Pipelines awaited

5 The development of “Smart grids”

A 2009 European Directive requires the installation, for all users, of so-called “smart energy meters”. A new stone in the edifice of intelligent networks, these meters offer new services: tele-statements, remote power changes and commissioning, invoicing on the basis of true consumption, reduced intervention times, and the facilitation of diagnosis in the event of breakdown.

The European Commission has published an explanatory note defining the smart meter as “an electronic device capable of measuring energy consumption, adding more information than a conventional meter, and capable of transmitting data using electronic means of communication. A key characteristic of the smart meter is its ability to communicate in both directions between the consumer and network managers or suppliers. It should also promote services facilitating energy management by the consumer”.

Since then, much has been said about smart meters and smart grids. In order to establish an initial distinction between the two: smart metering is a

system which can be put in place house by house, street by street, town by town. What makes the grid smart is the flow of data. At the present time, the network is extremely smart regarding transmission, but not really so for distribution, and totally ignorant on client behaviour. Smart metering will change all that. It will place intelligence between the consumer and the network and vice versa. It will permit the integration of micro-production and it will use all the potential of demand management.

Creos is in the process of testing several types of meters and communication technologies (“PLC” or power line carrier, radio frequency and fibre optics). A large-scale test is planned for 2013 with roll-out possible in 2014 as a consequence of the technological choice made and on the basis of a business plan to be validated by the bodies concerned (Ministry of Economy and the Regulator).



Controlling and calibrating electricity meters.

6 Energy market organisation and regulation

The electricity and natural gas networks – regulated activity

Energy market organisation provides a strict separation of regulated activities (infrastructure management) and non-regulated activities like production, sale and purchase, open to competition.

The principle is that infrastructures should remain a natural monopoly, but accessible to all suppliers under transparent and non-discriminatory conditions. In the Enovos group, Creos is concerned with network management, whilst Enovos looks after commercial activities subject to competition. In fact, these days each user is entitled to a free choice of electricity or gas provider.

Network access is organised and supervised by a regulator, in this case the Luxembourg Institute of Regulation (ILR). It is this independent body which for instance approves network access tariffs, “tolls” invoiced to all users of our networks.

These tariffs are moreover published on our Internet site at www.creos.net, whilst more detailed information on the role and activities of the regulator are to be found at www.ilr.lu.

With the entry into force of the Law of 1 August 2007 relating to the organisation of the electricity market and the natural gas market, the function of the Institute as market regulator was confirmed. The regulator’s task in particular is to ensure non-discrimination, effective competition and the efficient operation of the markets.

Until now, network access tariffs have been defined on the basis of a “rate of return regulation” approach ensuring a certain financial return on investments made in networks.

Different rates are fixed, such as an average weighted cost of capital (pre-tax) of 8.50%, and the equity capital quota is limited to 50%. The method of calculating impairments is also defined by the ILR. The applicable regulations date from February 2009.

During 2011, the ILR announced a new approach to the calculation of tolls, based on the method of indexing controllable operational charges and new procedures in relation to new investments. Furthermore, it was announced that remuneration rates for invested capital were revised downwards.

This new approach followed the principle of “incentive regulation”, leaving an advantage to network managers if operational costs are reduced so as to remain below the amounts resulting from indexation, but with the risk of losses in the opposite case. It should be added that a fall of the capital remuneration rate would have a negative impact on Creos results.

The ILR launched two public consultations on this subject in 2011, from 19 May to 5 July on the underlying principles, and 7 October to 30 November on the draft regulation for a new method of setting tolls. Creos presented its comments and suggestions on the subject, which may be consulted on the ILR internet site.

A decision by the ILR as to the definitive version of the new method of calculation should be presented in coming weeks. This new method would then be applicable as from 2013 for a regulation period from 2013 to 2016.

Statistics on suppliers and nominations in the electricity sector

Any supplier must group together its customers in a regulation zone managed by the Creos balance coordinator in a virtual entity called the “balance perimeter”. Balance perimeters enable suppliers to profit from the simultaneity of all their customers and to ensure the supply of electricity. As a balance coordinator, Creos Luxembourg coordinates energy exchanges between balance perimeters as well as exchanges with neighbouring regulation zones.

Suppliers are economically responsible for the balance between energy exchanges in their balance perimeter(s). In that regard they must make a daily estimate of the demand of their balance perimeter for the following day, in order to guarantee adequate supply with the aid of energy exchanges with other balance perimeters.

These energy exchanges are the object of “nominations”, listing exchanges with other balance perimeters for each ¼-hour period of the following day.

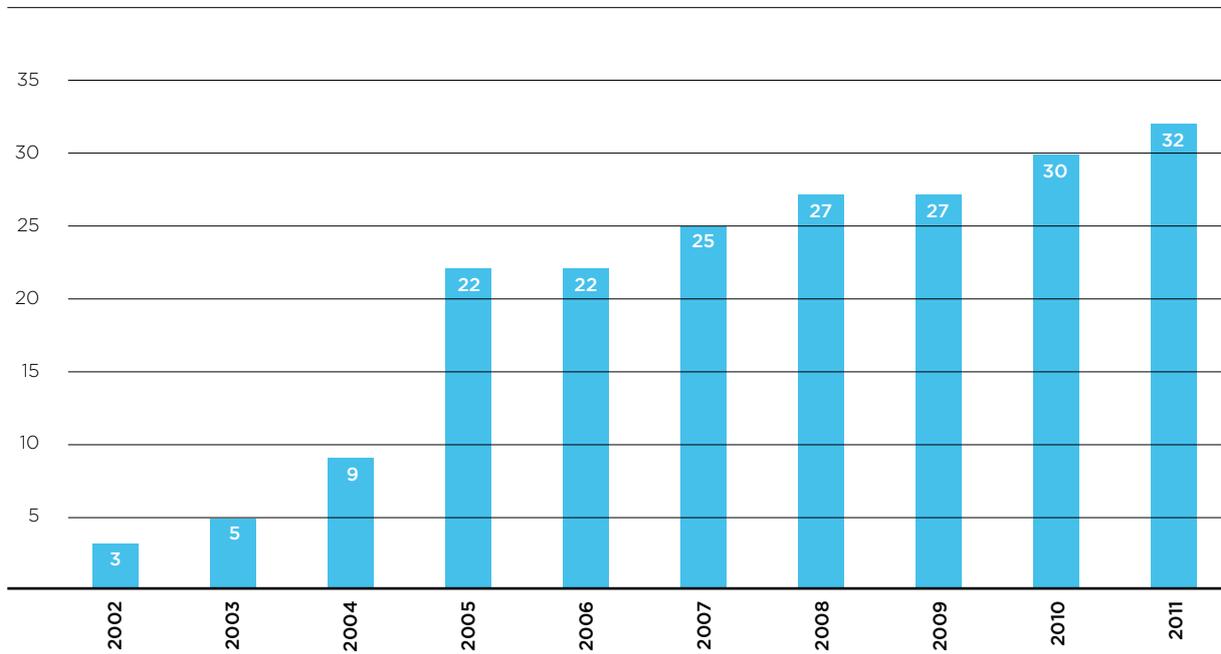
As for the control area, spreads between nominations and real client demand are balanced by the balance coordinator by way of adjustment energy. The balance coordinator establishes a monthly adjustment balancing statement for each balance perimeter. Associated costs are invoiced to each supplier.

The number of balance perimeters was **32** for the year 2011. In total, **9,397** nominations relating thereto were processed by the balance coordinator in 2010.

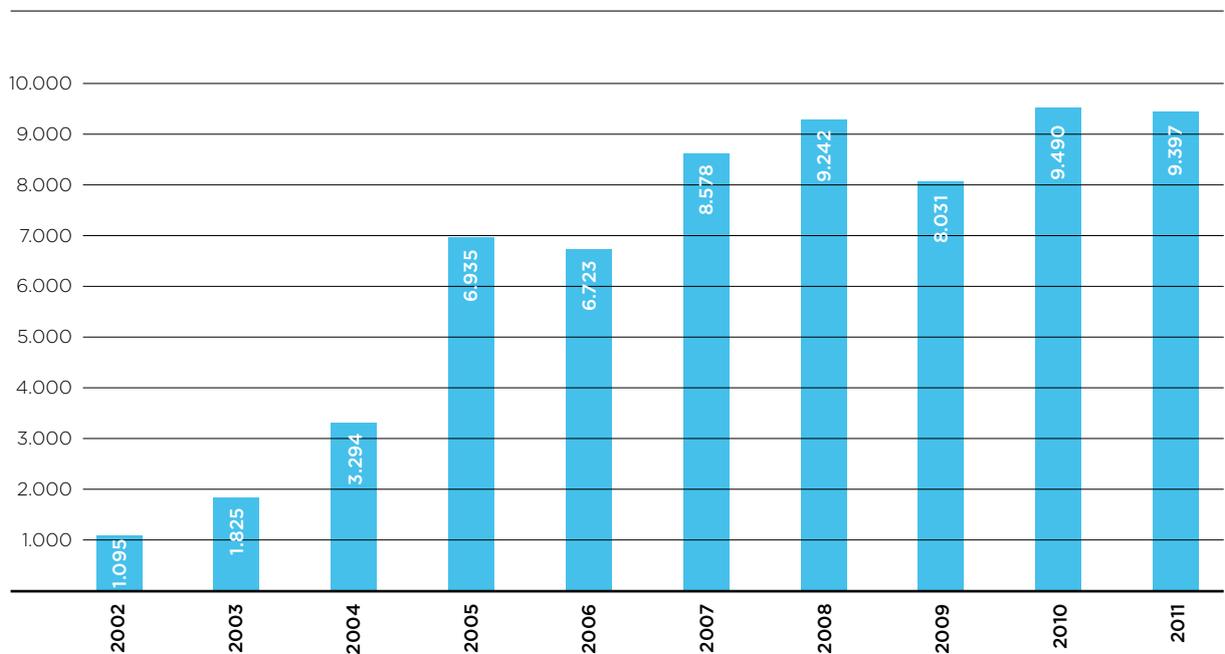


Cleaning public lighting in the tunnel of Mersch.

Evolution of the number of balance perimeters



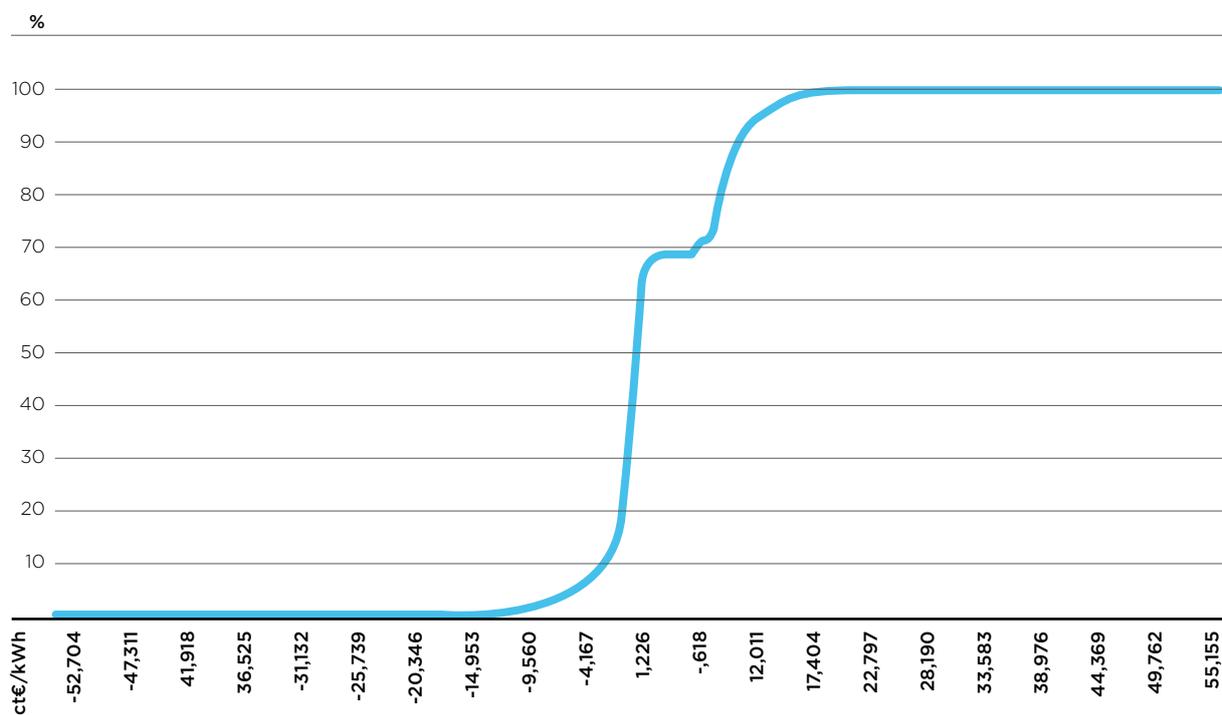
Evolution of the number of nominations



Statistics on the energy price adjustment

The energy price adjustment varied between **-52.70 ct€/kWh** and **55.16 ct€/kWh** in 2011. The maximum price was recorded on **13 September 2011 at 20.45**. The average price adjustment is **3.29 c€/kWh**.

Price frequency



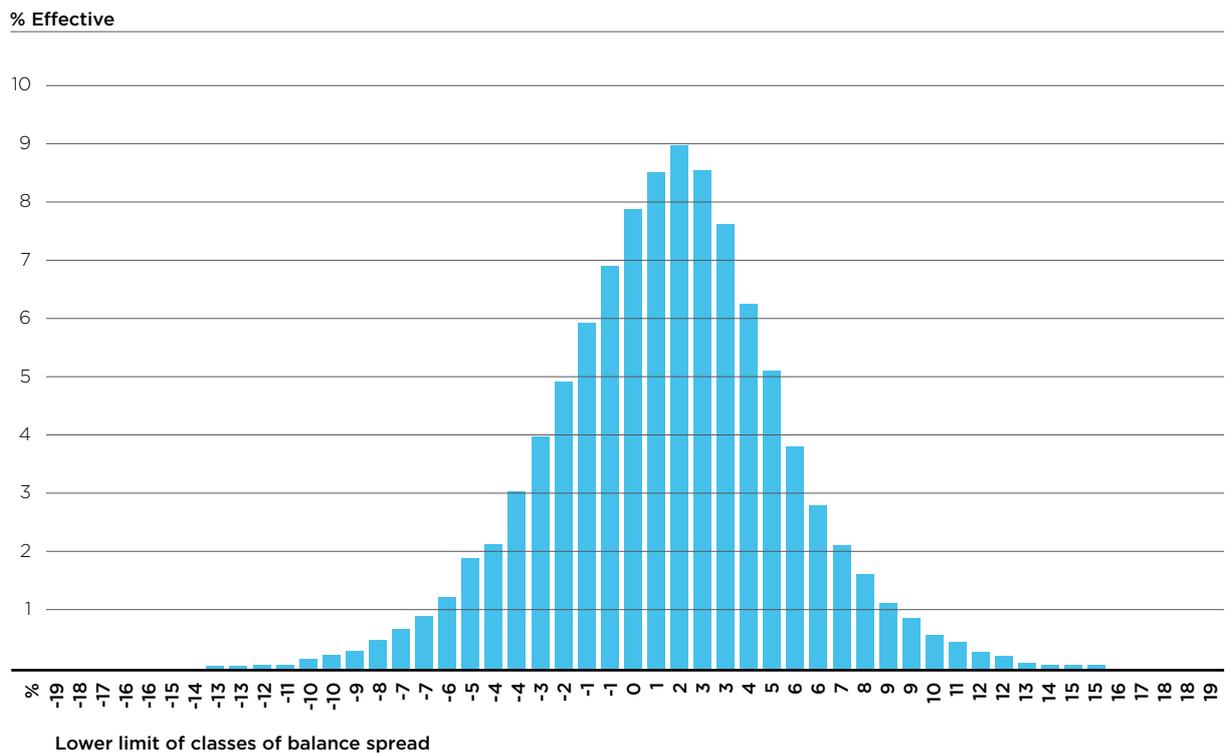
Characteristic values of the price frequency

Frequency	Price
46 %	< 1.23 ct€/kWh
66 %	< 2.30 ct€/kWh
69 %	< 5.00 ct€/kWh
69 %	< 6.08 ct€/kWh
70 %	< 7.16 ct€/kWh
100 %	< 55.16 ct€/kWh

Balancing statement for the Creos control area

The combination of cross-border nominations was **4,168.4 GWh** in 2011. Real demand measured on cross-border lines was **4,243.8 GWh** during the same period. The adjustment energy contributed to cover spreads in the control area was therefore **75.4 GWh**.

Distribution of balance spreads in 2011



The average balance spread was **2.07 %** compared to the cross-border nomination, for a standard spread of **11.15 %**. The extreme values were **-18.8 %** for the negative spread and **681.4 %** for the maximum positive spread. The spread distribution shows a clear trend towards positive spreads.

Non-discriminatory treatment of customers

With the takeover of the electricity and gas activities of the City of Luxembourg, Creos Luxembourg broadened the scope of its network management. As a result of that takeover, new challenges emerge regarding the non-discriminatory treatment of customers.

Since 1 January 2011, the communal staff of the City of Luxembourg who are involved in those activities have been working for Creos under a contract provided by the Law of 28 November 2009 of the provision of staff by Communes to companies under private law operating in the electricity and gas sector.

The Law of 1 August 2007 relating to “the organisation of the electricity market” requires that the network manager, part of a vertically integrated organisation, respects certain minimal criteria guaranteeing the independence of its management activity vis-à-vis other Group activities such as the production and/or supply of electricity. The manager is asked to establish and monitor a programme of undertakings containing the appropriate measures to exclude any discriminatory practice in the treatment of different network users.

Within Creos Luxembourg S.A., the “Regulation Management” section of the “Grid Strategy” department has been designated as the department responsible for monitoring the non-discrimination programme.

This programme determines all the measures necessary to guarantee the non-discriminatory and confidential treatment of data and the obligation of the personnel of Creos Luxembourg S.A., responsible for network management tasks:

- Creos Luxembourg, as manager of the electricity and gas network in Luxembourg, is solely responsible for the management and has competent and qualified personnel numbering 643 as at 31 December 2011.
- It is guaranteed that any employee of Creos Luxembourg, including those working for Creos under a provision contract, has no responsibility in relation to purchase, sale or production within the Enovos group. The takeover of the electricity and gas network of the City of Luxembourg, and the provision of staff, are described in a contribution contract signed between the parties concerned.
- The measures taken by Creos Luxembourg guarantee the confidential treatment of data relating to network customers. If the data are published, non-discriminatory treatment is guaranteed.
- For all other activities, irrespective of the network (“Shared Services”), confidentiality clauses have been concluded between Enovos International and Creos Luxembourg.
- Reciprocal undertakings have been made by the Enovos group and Creos Luxembourg. The personnel of each of them only have access to the databases of the said companies to which they report according to the description of the function of the work stations for which the rights of access are clearly defined and delimited.
- The personnel concerned undertake to take all steps necessary to maintain the confidentiality of the data of which they gain knowledge in performing their various tasks and to protect persons with regard to the processing of personal data. Those data are in no case to be divulged to third parties.
- Any personnel hired within the said companies, including those under a provision contract, are subject to the fulfilment of these undertakings.

7 The Environment

Energy is a key factor in modern life. It is vital to the good operation of our economy and the well-being of our civilisation. Nevertheless, the electricity and gas industry has an impact on the environment through the demand of energy resources and the production of waste, greenhouse gas emissions and the visual aspect of installations.

Considerations regarding the protection of people and their environment as well the beauty of sites are major constraints these days to any economic activity.

Running electricity lines underground

Since 1992, Cegedel – today Creos Luxembourg S.A., has undertaken to dedicate particular effort to running electricity lines undergrounds in localities and their environs when renewing lines or carrying out new installations. Indeed increase care is taken to analyse the new for new work, including studies of any alternatives, and their integration into the landscape.

This work is often carried out on the request by and jointly with communal administrations.

The burying of Creos electricity lines, with performance at a European level, is now 94.0% with low tension and 64.7% with medium, representing more than 7,000 km and therefore more than 80% of the overall medium and low-tension network.

Furthermore the protection of birds in several regions of the country close to overhead lines is another major project implemented by the company over the years.

Integration of high and medium-tension substations in the environment

Creos is always anxious to achieve the harmonious integration of its installations in the environment following an economic architectural concept.

A high-tension transformer substation is not easily suited to an urban zone or a rural environment. Creos Luxembourg S.A. has nonetheless shown the opposite to be the case with the construction of its state of the art industrial sites.

Regional sheathed substations, both compact and discreet, laid out with indigenous plantations in Ingeldorf, Grevenmacher, Contern, Junglinster, Kayl and Rédange thus preserve the environment and the landscape.

It is to be noted that the area used for new sheathed substation is only one fifth of the area for an outdoor substation.

Safety

To ensure environmental protection, transformer premises have also been soundproofed and equipped with secure tanks to capture any oil leaks.

Within villages, the installation of new medium-tension substations is exclusively sheathed in brick-work, with substations prefabricated in concrete or steel and integrated into bus stops or post boxes inside a building.

In addition, on request from the communal administrations, Creos is replacing old beamed substations with sheathed substations. Indeed, the number of substations on beams has been reduced from 881 in 1989 to 631 in 2011.

Futures constructions

When constructing the new Creos Regional Centre and workshops in Roost, particular attention will be paid to the rational use of energy. Indeed the new building will meet the criteria of sustainable development. The optimum integration of the building into its local environment will be optimised.



8 Human Resources

Workforce evolution and key figures

The average workforce over the financial year was 450 for Creos Luxembourg S.A., with an effective total of 471 employees as at 31 December 2011. The integration of staff from the energy department of the City of Luxembourg as at 1 January 2011 represents 185 people; as at 31 December, that workforce was 172.

The group remains present on the labour market, recruiting new members of staff internally and externally with participation at various events such as recruitment shows at schools and universities. In 2011, Creos Luxembourg S.A. recruited 47 people under indefinite-term contracts, including 4 university graduates.

Last year, approximately 2% of the total workforce worked part-time.

In total, six different nationalities are represented at Creos: Luxembourg, French, German, Belgian, Italian and Portuguese.

The percentage of women is 7.6%.

Ongoing professional training

In order to ensure the transfer of knowledge and know-how, as part of the integration process, prospective career management and the development of skills, ongoing training is a means of responding to the need for skills in a blossoming energy sector. The management and development of skills remain vital aspects of the group's human resources strategy. The percentages given in the following table indicate the importance of expenditure allocated to the major fields of training. Investment in expenditure dedicated to professional training represents 1.47% of the overall payroll. 51% of all training was performed by internal instructors and 49% external.

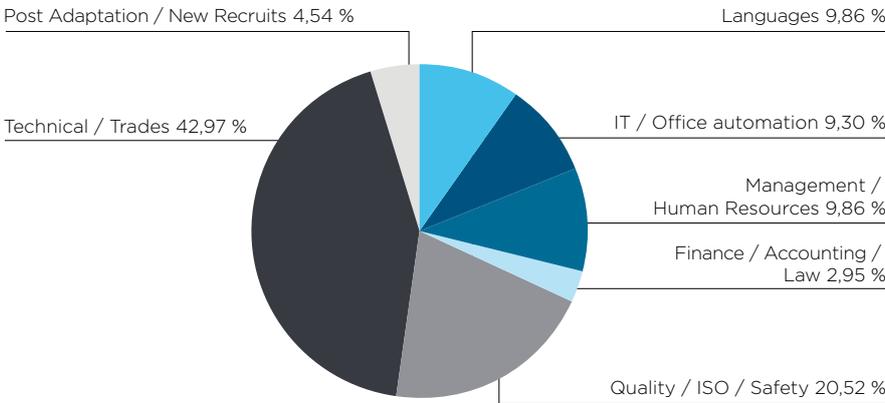
The Enovos group regularly launches private PC project initiatives, also contributing to the provision of PC software training for members of staff. Indeed the last session in 2010 was extremely successful with 217 participants from Creos.

Finally we would like to congratulate and to thank all of our staff for their commitment and the work they have done throughout 2011 as well as their dedication to realising the objectives of our company.

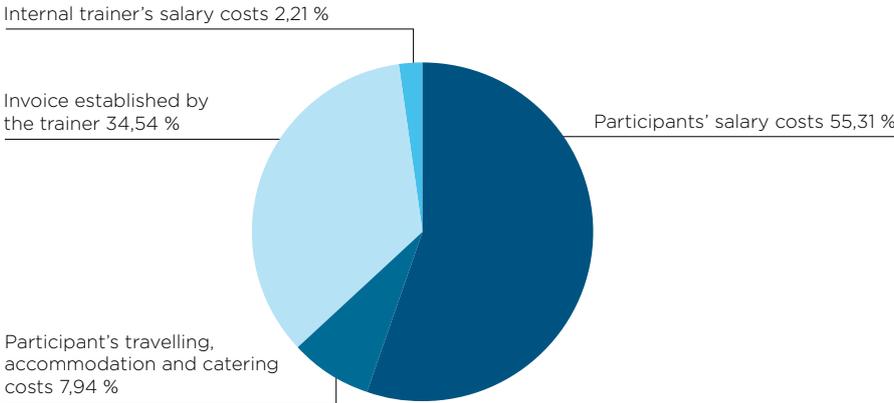


Mersch workshop: repair and maintenance of a transformer.

Breakdown of training costs



Breakdown by type of cost



9 Health, Safety and Environment (HSE)

During 2011 Creos Luxembourg recorded no serious accident. For the staff of Creos Luxembourg and of the electricity and gas departments of Luxembourg-Ville put of the disposal of Creos we recorded 20 minor accidents and 15 accidents involving more than 3 days of work incapacity. The main causes were accidents to and from work (20%), material handling and transport (14.3%), wrong moves and excessive effort (14.3%). No work accident was in relation to electrical or gas work this year. The rate of severity of accidents at Creos Luxembourg is 0.346 for 2011 and remains lower than the target set by the Enovos group at a maximum 0.40. The definition of this rate is the ratio between calendar days lost X 1,000 and total productive hours (worked).

To guarantee health and safety at work within our company, for our staff and that of the electricity and gas departments of the City of Luxembourg, we organise safety instruction sessions, courses on handling and improvement in the fields both of gas and electricity.

The "Healthcare @ Work" project to improve the health and well-being of staff at work, launched in 2010 in collaboration with the human resources department, has been extremely successful and will be continued in 2012.

Putting into service of a natural gas main.



10 Creos Deutschland GmbH

Key Figures

	PY 2010	Actual 2011
Transport Gas (GWh)	31,984	26,992
Revenue (M€)	67.82	71.70
EBITDA (M€)	20.99	20.42
EBIT (M€)	15.57	14.99
Profit for the year (M€)	10.27	9.34
Headcounts	103	108
CAPEX (M€)	14.20	10.39

The increase in revenue compared to 2010 is due to income related to the 'Saarländische Kooperation', but compensated by equivalent operating expenses. These money flows are overall more or less neutral on final result.

Reduced CAPEX is due to delays in the authorization procedures as well as a redefinition of the Target-Grid.

Current Situation

Creos Deutschland's efforts have finally led to Creos being successfully identified as distribution system operator (DSO) instead of a transport system operator. This leads to less unbundling obligations as well as a more favorable situation for benchmark exercise by the 'Bundesnetzagentur' (BNetzA).

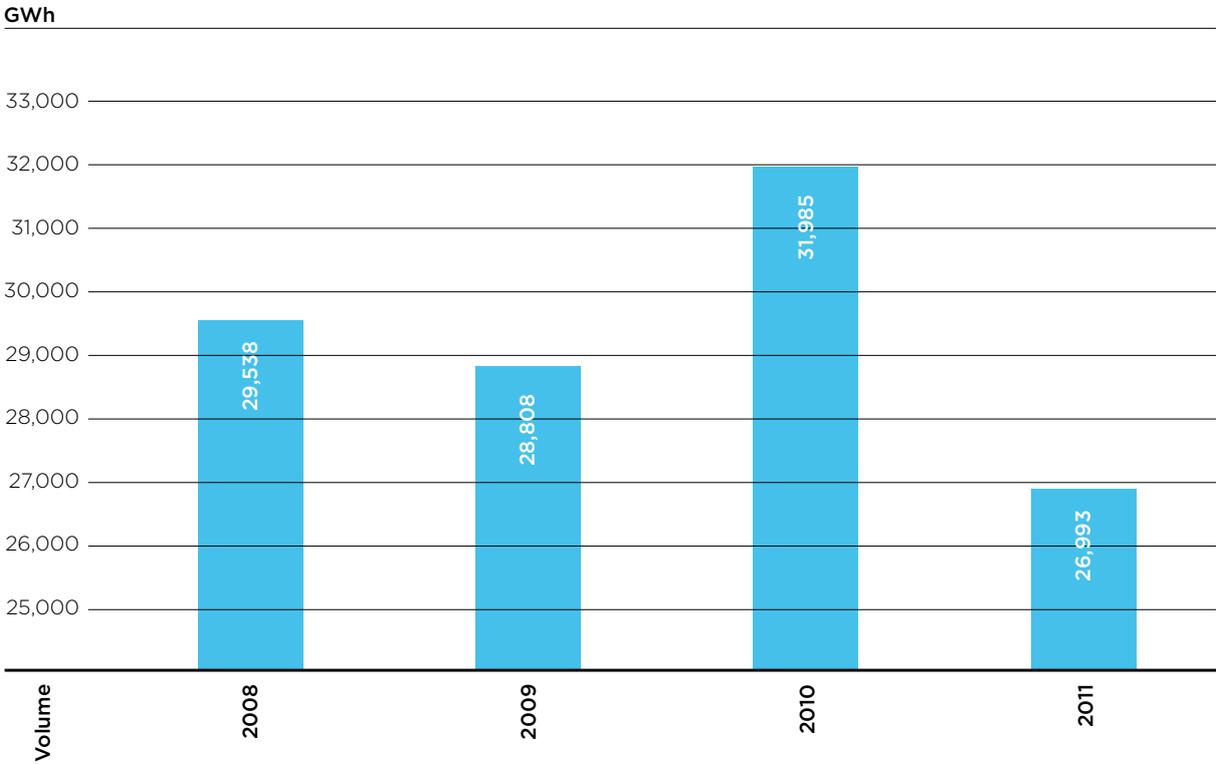
The next challenge for Creos Deutschland is to try to convince the BNetzA of the necessity of the full amount of grid costs applied for. In a second step these finally accepted costs will be subject to an efficiency element which is developed in a benchmark produced in comparison with grid operators featuring a similar grid structure. The finally approved costs and the achieved efficiency element together will determine the basis for the initial grid fee level of the 2nd incentive regulation period from 2013 to 2017.

Creos Deutschland's strategy for the coming years is its continuous reinvestment program which, among other goals, will ensure a secure supply of gas in the region. Recent developments have forced Creos Deutschland to supplement this program with revised technical requirements which also have extensive influence on the design of the grid in its final stage of development - the Target-Grid. It is crucial that the Federal Network Agency (BNetzA) recognizes the necessary investment budgets annually applied for, to cover the capital costs in accordance with the German Regulation Ordinance (ARegV).

The core expertise of Creos Deutschland is the technical and economic management of energy grids. The operation of energy grids is immanently connected with the long-term optimization of the grid infrastructure taking technical, commercial as well as economic aspects into consideration. With this expertise, Creos Deutschland has the opportunity to consider cooperating with enterprises owning grids or to contemplate acquiring participations.

Transport Volume Gas by Creos Deutschland

Gas transported (excluding Gasstorage) for the years 2008, 2009, 2010 as well as 2011 in GWh



The chart above reflects the reduced amount of gas transported through the Creos Deutschland grid in 2011 compared to previous years. In comparison to the years 2008 to 2010 as well as to the 40-year average, 2011 clearly sticks out with its rather mild weather and consequently reduced demand for heating purposes.

Board of Directors of Creos Luxembourg S.A.

As a replacement for Mr Etienne Schneider, resigning, and in compliance with Article 15 of the coordinated text of the Law of 10 August 1915 on commercial companies and any amending Laws, as well as Article 22.1 of the Articles of Association, the Board of Directors met on 19 April 2012 and co-opted Mr Mario Grotz as director for the remaining term of his predecessor's mandate. You are invited to confirm this appointment made provisionally subject to your ratification.

A director's post is vacant.
We will inform you of our proposal in this regard.

Auditor

The mandate of Auditor expired at the end of 2011. The Board of Directors will make a proposal on this subject.

Strassen, 19 April 2012
The Board of Directors





Visual inspection of underground high-tension power lines on the Belval site.

III. Annual Accounts

1 Balance sheet as at 31 December 2011

ASSETS	Notes	2011	2010
Fixed assets		€	€
Intangible fixed assets	note 4	420,159	
Tangible fixed assets	note 5		
Land and buildings		41,527,587	41,823,291
Plant and machinery		373,740,396	195,568,628
Revaluation reserve		-	1,431,068
Other fixtures and fittings, tools and equipment		3,281,160	1,661,901
Payments on account and tangible assets in course of construction		52,226,121	30,469,134
Financial fixed assets	note 6		
Shares in affiliated undertakings		42,000,000	43,664,078
Shares in undertakings with which the company is linked by virtue of participating interests		430,000	430,000
Total Fixed Assets		513,625,423	315,048,100
Current assets			
Inventories			
Raw materials and consumables		4,459,549	3,417,755
Work and contracts in progress		8,540,810	6,729,566
Payments on account		12,922	12,922
Debtors			
Trade debtors			
- becoming due and payable within one year	note 7	7,302,771	7,704,623
- becoming due and payable after more than one year		-	-
Amounts owed by affiliated undertakings			
- becoming due and payable within one year	note 8	76,310,316	55,631,947
- becoming due and payable after more than one year		503,793	858,618
Amounts owed by undertakings with which the company is linked by virtue of participating interests			
- becoming due and payable within one year		4,669,890	386,575
- becoming due and payable after more than one year		-	-
Other receivables			
- becoming due and payable within one year	note 9	8,092,479	4,617,299
- becoming due and payable after more than one year		-	-
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		313,371	10,391,941
Total Current Assets		110,205,902	89,751,245
Deferred charges	note 10	2,197,603	4,364,309
Total Assets		626,028,928	409,163,654

The accompanying notes form an integral part of the annual accounts.

LIABILITES	Notes	2011	2010
Capital and reserves	note 11	€	€
Subscribed capital		198,851,260	159,081,000
Share premium		189,562,253	33,182,513
Revaluation reserve		-	1,431,068
Legal reserve		16,139,756	15,000,000
Other reserves		60,000,000	62,000,000
Result brought forward		3,671,844	2,884,378
Result for the financial year		44,084,112	22,795,117
Total Capital and reserves		512,309,225	296,374,076
Provisions			
Provisions for pensions and similar obligations	note 12	31,431,831	31,143,166
Provisions for taxation	note 16	12,197,923	18,095,965
Other provisions		2,581,342	849,579
Total Provisions		46,211,095	50,088,709
Non-subordinated debt			
Amounts owed to credit institutions			
- becoming due and payable within one year		584,401	1,234,714
- becoming due and payable after more than one year		-	2,365,186
Payments received on account of orders in so far as they are not shown separately as deductions from inventory			
- becoming due and payable within one year		6,822,378	4,908,775
- becoming due and payable after more than one year		-	-
Debts to trade creditors			
- becoming due and payable within one year		24,596,959	17,540,044
- becoming due and payable after more than one year		-	-
Amounts owed to affiliated undertakings			
- becoming due and payable within one year	note 13	26,808,574	22,634,397
- becoming due and payable after more than one year		-	-
Amounts owed to undertakings with which the company is linked by virtue of participating interests			
- becoming due and payable within one year		-	207,148
- becoming due and payable after more than one year		-	-
Tax and social security debts			
Tax debts		1,524,345	1,443,105
Social security debts		1,938,071	1,542,459
Other creditors			
- becoming due and payable within one year		555,386	675,042
- becoming due and payable after more than one year		-	-
Total non-subordinated debt		62,830,115	52,550,869
Deferred income	note 10	4,678,493	10,150,000
Total Liabilities		626,028,928	409,163,654

The accompanying notes form an integral part of the annual accounts.

2 Profit and Loss account from 1 January to 31 December 2011

CHARGES	Notes	2011	2010
		€	€
Use of merchandise, raw material and consumables		36,144,722	31,568,393
Other external charges		36,873,111	24,244,579
Staff expenses	note 14		
a) Wages and salaries		54,103,963	32,751,884
b) Social security costs		4,772,249	3,601,273
c) Supplementary pension costs		3,713,941	2,359,639
Value adjustments in respect of tangible and intangible fixed assets	note 15	40,570,895	32,457,623
Value adjustments in respect of current assets		1,303,101	2,702,315
Interest payable and other financial charges			
a) concerning affiliated undertakings		-	-
b) other interest payable and similar charges		199,874	1,334,905
Extraordinary charges		-	41,082,795
Income tax	note 16	12,887,519	11,800,000
Other taxes not included under the previous caption		78,482	88,090
Profit for the financial year		44,084,112	22,795,117
Total Charges		234,731,970	206,786,611

The accompanying notes form an integral part of the annual accounts.

INCOME	Notes	2011	2010
		€	€
Net turnover	note 17	205,887,775	161,227,339
Fixed assets under development		13,409,192	9,187,116
Reversal of value adjustments in respect of current assets		2,598,096	977,982
Other operating income	note 18	1,119,270	137,115
Income from financial fixed assets	note 19	8,040,658	7,275,907
Other interest receivable and other financial income		-	-
a) derived from affiliated undertakings		573,249	291,287
b) other interest and financial income		33,714	59,715
Extraordinary income	note 6	3,070,017	27,630,150
Total Income		234,731,970	206,786,611

The accompanying notes form an integral part of the annual accounts.

Proposed appropriation of net profit

The profit available for appropriation of EUR 54,755,956 includes the net profit for the year of EUR 44,084,112, the reversal of the blocked reserve (wealth tax) of EUR 7,000,000 and the profit brought forward of EUR 3,671,844.

The board of Directors proposes to the Annual Shareholder's Meeting to be held on 8 May 2012 the following appropriation of net profit:

Dividend of 3,00 euros per share*	29,827,689
Allocation to the legal reserve (5 % of net profit)	2,204,206
Allocation to the blocked reserve	5,300,000
Allocation to the special reserve	10,000,000
Amount carried forward	7,424,061
	54,755,956

* Number of shares : 9,942,563 shares

3 Notes to the annual accounts

Note 1 - General

Creos Luxembourg S.A. was incorporated in Luxembourg under the name of Cegedel S.A. on April 25, 1928. The company is registered under RCS nr. B4513. In the context of the below described operations, the company has been renamed Creos Luxembourg S.A. in 2009.

Following a business combination in 2009 of the grid activities of Cegedel S.A. and Soteg S.A., the integration of the grid activities of Luxgaz Distribution S.A. in 2010 and the integration of the grid activities of the City of Luxembourg in 2011 (see note 21), the main activities of Creos Luxembourg S.A. are to operate in Luxembourg electricity and gas transport and distribution networks. Creos Luxembourg S.A. holds a 96.88% participation in Creos Deutschland GmbH, a result of the merger in 2009 of Saar Ferngas Transport GmbH in Germany with the network activities of Saar Ferngas AG.

Annual accounts

The company's financial year runs from January 1st to December 31st each year. The company's accounts are consolidated into the Enovos group annual accounts.

Note 2 - Authorizations

Following the two European directives 2003/54 and 55 of June 26th, 2003 concerning common rules for the internal markets in electricity and natural gas, and the laws that transposed these directives into national laws, namely the laws of August 1st, 2007 regarding the organization of the electricity and natural gas markets, transport and distribution grid management activities have been legally separated from the other activities of generation and sale of electricity and gas.

All the authorizations have been granted according to this legal framework.

Note 3 - Accounting policies

General principles

The annual accounts have been prepared in accordance with Luxembourg legislation and regulations and generally accepted accounting principles.

Following the introduction of the law of 10th December 2010, the layout of the balance sheet, profit and loss account and comparative figures have been adapted to conform with the requirements of this new law.

Foreign currency conversion

With the exception of fixed assets, assets and liabilities denominated in foreign currencies are converted at the exchange rates in effect at the end of the year. Transactions denominated in foreign currencies are recorded at the exchange rates of the transaction day. Realised exchange gains and realised and unrealised exchange losses are recognised in the income statement. Unrealised exchange gains are not recognised.

Intangible fixed assets

Intangible fixed assets are booked at their acquisition price or at cost and are depreciated over their estimated useful life.

Tangible fixed assets

Tangible fixed assets are recorded at their acquisition price or at cost.

Value adjustments for electricity assets are made in accordance with the following principles:

- Buildings, plant and equipment that are not part of the grid: straight-line depreciation based on the coefficients laid down in Article 30 of the Concession Agreement of November 11th, 1927 and in the Agreement of September 8th, 1998.
- Buildings, plant and equipment that are part of the grid: depreciation using the declining-balance method based on coefficients equal to double those referred to above for investments completed before 1990, and to triple those referred to above for investments completed thereafter.
- Other equipment, machines and furniture: straight-line depreciation over one year
- Revaluation surpluses: straight-line depreciation until fiscal year 2011. The corresponding caption on the liabilities side is the revaluation reserve, which is depreciated at the same rate.
- Fixed assets contributed by the City of Luxembourg in 2011: straight-line depreciation over their estimated useful life.

Value adjustments for gas assets are made in accordance with the following principles:

- Buildings, plant and equipment contributed by Luxgaz Distribution S.A.(2010) and by the City of Luxembourg (2011): straight-line depreciation over their estimated useful life.
- The tangible assets bought since 2010 by Creos Luxembourg S.A. are depreciated using the declining-balance method, based on coefficients equal to triple to linear over their estimated useful life.

Tangible fixed assets in the course of construction are valued at cost, based on the direct costs of the company, and are reviewed for impairment annually.

Financial fixed assets

Shares in affiliated undertakings and participating interests are recorded in the balance sheet at their acquisition cost. Loans to affiliated undertakings and loans to undertakings with which the company is linked by virtue of participating interests are included at their nominal value. In the case of an impairment that the Board of Directors considers as permanent in nature, value adjustments are recorded to these long-term investments to apply the lower value to be assigned to them at the balance sheet date. These value adjustments are not maintained when the reasons for making them have ceased to exist.

Inventories

Raw materials and consumables are valued at the lower of purchase price calculated on the basis of weighted average cost or market value. Value adjustments are recorded when the estimated realisable value of stocks is lower than the weighted average cost. The value adjustments are not maintained if the reasons for recording them have ceased to exist.

Receivables

Receivables are recorded at their nominal value. Value adjustments are recorded when there is a risk that all or part of the amounts concerned may not be recovered. These value adjustments are not maintained if the reasons for recording them have ceased to exist.

Provisions for liabilities and charges

The aim of provisions for liabilities and charges is to cover clearly defined charges and liabilities which, on the balance sheet date, are either probable or certain but for which the amount or date of occurrence cannot be determined. A review is carried out at year-end to determine the provisions to be recorded for the company's liabilities and charges. Provisions recorded in previous years are reviewed annually and those no longer needed are released.

Net turnover

Net turnover relates to transportation and distribution of electricity and gas provided as part of the company's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.

Income from participating interests

Dividend income is recorded when dividends are declared.

Transactions with related parties

The company does not conclude significant transactions with related parties which are not done at market price.

Note 4 - Intangible fixed assets

Movements for the year were as follows:

	IT software licences	Advance payments made and new intangible fixed assets	TOTAL 2011	TOTAL 2010
	€	€	€	€
Gross values at beginning of year	12,454,772	-	12,454,772	12,454,772
Additions during year	297,295	-	297,295	-
Disposals during year	-	-	-	-
Transfer during the year	1,917,327	-	1,917,327	-
Gross values at end of year	14,669,394	-	14,669,394	12,454,772
Value adjustments at beginning of year	-12,454,772	-	-12,454,772	-12,454,772
Allowances for year	-647,566	-	-647,566	-
Amounts released for year	-1,146,897	-	-1,146,898	-
Value adjustments at end of year	-14,249,235	-	-14,249,236	-12,454,772
Net value at end of year	420,159	-	420,159	-

In January 2011, the City of Luxembourg contributed its electricity and gas grid assets into Creos Luxembourg S.A. (see note 21). In this context, the City of Luxembourg has contributed into the company intangible fixed assets for a net amount of EUR 770,430. These movements are included in the captions "Transfer during the year" and "Amounts released for year".

Note 5 - Tangible fixed assets

Movements for the year were as follows :

	Land and buildings	Plant and machinery	Revaluation surplus	Other fixtures and fittings, tools and equipment	Payments on account and tangible assets in course of construction	TOTAL 2011	TOTAL 2010
	€	€	€	€	€	€	€
Gross values at beginning of year	59,560,805	725,213,958	44,870,289	44,461,763	30,469,134	904,575,949	847,903,030
Additions during year	7,718	-449,630	-	2,298,244	48,119,905	49,976,236	35,768,970
Disposals during year	-1,487	-727,237	-	-263,989	-	-992,713	-948,959
Transfer during the year	1,008,726	355,903,477	-	5,465,044	-26,362,918	336,014,329	21,852,908
Gross values at end of year	60,575,762	1,079,940,567	44,870,289	51,961,063	52,226,121	1,289,573,801	904,575,949
Value adjustments at beginning of year	-17,737,514	-529,645,330	-43,439,221	-42,799,862	-	-633,621,927	-592,368,119
Allowances for year	-1,310,660	-36,568,244	-1,431,068	-2,044,425	-	-41,354,397	-33,888,691
Amounts released for year	-	-139,986,597	-	-3,835,615	-	-143,822,213	-7,365,117
Value adjustments at end of year	-19,048,174	-706,200,171	-44,870,289	-48,679,902	-	-818,798,538	-633,621,927
Net value at end of year	41,527,857	373,740,396	0	3,281,160	52,226,121	470,775,263	270,954,022

In January 2011, the City of Luxembourg contributed its electricity and gas grid assets into Creos Luxembourg S.A (see note 21). In this context, the City of Luxembourg has contributed into the company tangible fixed assets for an amount of EUR 185,229,570. In accordance with the agreement, a price adjustment of EUR 6,126,323 has been recorded during the year. These movements are included in the captions "Transfer during the year" and "Amounts released for year".

Note 6 - Financial fixed assets

Movements for the year were as follows :

	Shares in affiliated undertakings	Shares in undertakings with which the company is linked by virtue of participating interests	TOTAL 2011	TOTAL 2010
	€	€	€	€
Gross values at beginning of year	43,664,078	430,000	44,094,078	42,430,000
Additions during year	-	-	-	86,140,784
Reduction of equity	-	-	-	-
Merger	-	-	-	-69,500,000
Transfer	-	-	-	-
Disposals during year	-1,664,078	-	-1,664,078	-14,976,706
Gross values at end of year	42,000,000	430,000	42,430,000	44,094,078

In 2011, Creos Luxembourg S.A. sold its remaining stake of 10% in Luxgas S.à r.l. to Enovos Luxembourg S.A. for EUR 4,734,095, realizing a capital gain of EUR 3,070,017.

The company holds at least 20% of the capital in the following undertakings (audited figures):

Company name	Headquarters	Proportion of capital held	Last year-end	Shareholders' equity at year-end	Of which profit for the year	Participation net value
		%		€	€	€
Creos Deutschland GmbH	Sarrebrücken (Germany)	96.88	31/12/2011	39,591,354	9,343,241	42,000,000

The company further holds a participation of 8.3% in CASC CWE S.A. (Capacity Allocation Service Company CWE S.A.) for a net book value of EUR 430,000.

Note 7 - Trade debtors

Trade receivables relate mainly to revenues from transportation and distribution of electricity and gas.

The value of current assets was adjusted as follows:

	Cumulative total		Of which net allocation (amounts released) for the year	
	31/12/2011 €	31/12/2010 €	2011 €	2010 €
Adjustments to the value of receivables	3,747,281	5,042,276	-1,294,995	2,174,333

Value adjustments are recorded in the income statement under “Value adjustments in respect of current assets” for allowances and under “Reversal value adjustments in respect of current assets” for write-backs.

Note 8 - Amounts owed by affiliated undertakings

Creos Luxembourg S.A. has entered into a cash pooling agreement with Enovos International S.A. which, as of December 31st, 2011, owed a cash amount of EUR 48,432,110 to the company (2010: 35,372,899). This amount is recorded under the caption “Amounts owed by affiliated undertakings”. The company paid an interest rate based on Euribor plus a margin for loans (respectively is paid an interest based on Euribor minus a margin for deposits). The remaining balance of EUR 27,878,206 relates to commercial activities with affiliated undertakings (2010: 20,259,048).

Note 9 - Other receivables

As of 31st December 2011, this caption mainly comprises a receivable of EUR 4,477,316 (2010 : EUR 357,176) in the context of the mechanism of the “Fonds de compensation”, income tax recoverable of EUR 1,920,056 (2010 : EUR 215,897) and VAT recoverable of EUR 1,057,799 (2010 : EUR 1,680,560).

Note 10 – Deferred charges / deferred income

The difference between the actual and the budgeted costs and revenues related to the network are assessed on an annual basis by the “Institut Luxembourgeois de Régulation” (ILR). Any difference is considered by the ILR in the determination of the tariffs for electricity and for gas for subsequent years. In case actual net revenues are exceeding budget, tariffs for the subsequent years will be reduced and consequently, such negative difference is provided for in the caption Deferred income. Positive differences are not recorded. As of 31st December 2011, a total amount of EUR 4,678,493 is recorded as deferred income related to the year 2011 (2010 : EUR 0).

As of 31st December 2011, the item “Deferred charges” comprises prepaid expenses mainly related to rental charges for 2012.

Note 11 – Capital and reserves

As of January 2011, the City of Luxembourg contributed its electricity and gas grid assets into Creos Luxembourg S.A. (see note 21). To finance this operation, the company proceeded to a capital increase of EUR 196,150,000 by the emission of 1,988,513 new shares out of which EUR 39,770,260 have been allocated to the subscribed capital and EUR 156,379,740 to the share premium.

As at December 31st, 2011, the company’s subscribed capital was EUR 198,851,260. The capital is fully paid-up and represented by 9,942,563 shares without designation of a nominal value.

	31/12/2010	Distribution of dividends	Appropriation of profit	Profit of year	Other		31/12/2011
					Increase	Decrease	
		€	€	€	€	€	
Subscribed capital	159,081,000				39,770,260 ³⁾		198,851,260
Share premium	33,182,513				156,379,740 ³⁾		189,562,253
Revaluation reserve	1,431,068					-1,431,068 ¹⁾	0
Legal reserve	15,000,000		1,139,756 ²⁾				16,139,756
Other reserves :	62,000,000		4,500,000			-6,500,000	60,000,000
Special reserve	22,000,000						22,000,000
Blocked reserve	40,000,000		4,500,000 ²⁾			-6,500,000 ²⁾	38,000,000
Profit brought forward	2,884,378		-5,712,534 ²⁾		6,500,000		3,671,844
Profit for the year	22,795,117	-22,867,895 ²⁾	72,778 ²⁾	44,084,112			44,084,112
Total	296,374,076	-22,867,895	0	44,084,112	202,650,000	-7,931,068	512,309,225

1) Amortisation of revaluation reserve (see also notes 5 and 15).

2) Decision of the ordinary general meeting of shareholders of May 10th, 2011.

The legal reserve comprises a mandatory allocation amounting to at least one twentieth of the net profits for the year, up to a ceiling of one tenth of the subscribed capital. This reserve is not available for distribution.

The amount allocated to the blocked reserve is equal to five times the amount of the wealth tax credit. The total reserve amounts to EUR 38,000,000, and breaks down as follows: EUR 7,000,000 for 2006, EUR 9,000,000 for 2007, EUR 9,500,000 for 2008, EUR 8,000,000 for 2009 and 4,500,000 EUR for 2010. The amount allocated for 2005, EUR 6,500,000, was released to retained earnings as at 31 December 2011 (Note 16).

3) Decision of the extraordinary general meeting of shareholders of January 6th, 2011: Integration of the electricity and gas grid activities of the City of Luxembourg for EUR 39,770,260 in subscribed capital and EUR 156,379,740 in share premium.

Note 12 – Provisions for pensions and similar obligations

Under a supplementary pension scheme, Creos Luxembourg S.A. has contracted a defined benefit scheme for staff members who started their employment with the company before January 1st, 2001. The company is committed to pay a lump sum at the retirement of each employee. The amount reported in the balance sheet is based on the following assumptions:

- retirement age taken into account for financing: 60 years
- yearly discount rate of 4.2%
- estimated wage at time of retirement.

Actuarial profits and losses are immediately recognised in the income statement.

In addition, in a defined contribution pension scheme for staff members who joined the company after January 1st, 2001, the company pays a contribution to an insurance company that is recorded under expenses for the year. For 2011, expenses for the pension scheme amount to EUR 468 425 (2010: EUR 361 621).

Note 13 – Amounts owed to affiliated undertakings

As of 31st December 2011, the company owed EUR 26 808 574 to affiliated undertakings.

Note 14 – Staff expenses

Staff costs include salaries, social security expenses as well as supplementary pension plan costs. In 2011, the company had on average 630 employees (2010: 423). The figure in 2011 includes the staff of the City of Luxembourg made available to Creos Luxembourg S.A. (180 employees), the costs of which are shown under wages and salaries for EUR 15,114,901 as at 31st December 2011.

Note 15 – Value adjustments in respect of tangible and intangible fixed assets

Value adjustments booked in the income statement break down as follows:

	2011	2010
Value adjustments in respect of intangible fixed assets (see note 4)	647,566	-
Value adjustments in respect of tangible fixed assets (see note 5)	41,354,397	33,888,690
Depreciation of revaluation reserve (see notes 5 and 11)	-1,431,068	-1,431,068
	40,570,895	32,457,623

Note 16 – Income tax

Creos Luxembourg S.A. is subject to all taxes applicable to companies in Luxembourg and the tax provisions have been provided in accordance with the relevant laws. In accordance with paragraph 8a of the Law dated October 16th, 1934 as amended, Creos Luxembourg S.A. will opt for the reduction of the net wealth tax due for the year 2011 by setting up a special reserve equal to five times the amount of the net wealth tax reduced (Note 11). Provisions for taxation on the liabilities side of the balance sheet cover preceding years from 2008 and 2010 to 2011. For 2006, an amount of EUR 1,704,159 and for 2009, an amount of EUR 215,897 is recorded in other receivables.

Note 17 – Net turnover

Net sales for the period 1 January to 31 December 2011 break down as follows:

	2011	2010
	€	€
Sales grid power	136,397,417	114,490,074
Sales grid gas	30,614,776	18,958,454
Metering revenues	13,881,288	9,174,120
Energy sales Power (Equilibrium)	5,072,744	2,596,919
Other revenue	19,921,550	16,007,773
Total	205,887,775	161,227,339

Note 18 – Other operating income

Other operating income in 2011 mainly includes rental revenues.

Note 19 – Income from financial fixed assets

This caption includes in 2011 the dividends paid by Creos Deutschland GmbH for an amount of EUR 8,040,658 (2010: EUR 6,587,527).

Note 20 – Remuneration paid to members of the administrative and supervisory bodies

Remuneration paid to members of the administration and supervisory bodies totalled EUR 520,000 (2010: EUR 383,800). No advances or loans were granted to members of the administration and supervisory bodies, nor was any commitment given on their behalf in respect of any form of guarantee.

Audit related fees paid to the company's statutory auditor amount to EUR 79,087 in 2011 (2010: EUR 80,938).

Note 21 – Note on City of Luxembourg transaction

In connection with the integration of the City of Luxembourg grid activities into those of Creos Luxembourg S.A., the following operations have been realised in 2011.

On January 6th, 2011, an extraordinary general meeting of Creos Luxembourg S.A. was held which approved the contribution of the gas and electricity networks of the City of Luxembourg to Creos Luxembourg S.A.

In this context, the City of Luxembourg has contributed into the company tangible assets for a net amount of EUR 186,000,000 (see notes 4 and 5) and a cash amount of EUR 10,150,000 (paid and recorded as accruals and deferred income as of 31 December 2010). This contribution was made by issuing new shares of Creos Luxembourg S.A. The capital increased by EUR 39,770,260 and the share premium by EUR 156,379,740.

The City of Luxembourg thus became a new shareholder of Creos Luxembourg S.A. with a 20% participation in the company. The percentages of ownership of the other shareholders in Creos Luxembourg S.A. became through this transaction respectively 75.43% (Enovos International S.A.), 2.28% (State of Luxembourg), 2.18% (other municipalities), and 0.10% (“Fédération des Artisans”).

Note 22 – Off-balance-sheet commitments and litigations

There was a disagreement over the invoices that have been issued by Amprion GmbH (formerly RWE Transportnetz Strom GmbH) to CegeDEL Net S.A. (merged in 2009 into Creos Luxembourg S.A.) since January 2006 corresponding to the transport in Germany of quantities concerning electricity supply from Twinerg S.A. to CegeDEL S.A.. In February 2011, the two parties Amprion GmbH and Creos Luxembourg S.A. have concluded a settlement agreement according to which the latter paid EUR 3.8 million to settle the issue with Amprion GmbH for costs accrued until end of 2008.

As per a further agreement dated November 12th, 2008 between Creos Luxembourg S.A. and Amprion GmbH, the latter, as from January 1st, 2009 on, invoices the transport costs to Creos Luxembourg S.A., which re-invoices them to Twinerg S.A. No agreement has been reached yet with Twinerg S.A. for the payment of these invoices.

The management of Creos Luxembourg S.A. considers that the ultimate resolution of this issue will require further negotiations with all the parties involved.

Note 23 – Post-balance-sheet events

No major post balance-sheet event has occurred.

4 Independent Auditor's report

To the shareholders of Creos Luxembourg S.A.

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 10 May 2011, we have audited the accompanying annual accounts of Creos Luxembourg S.A., which comprise the balance sheet as at 31 December 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Creos Luxembourg S.A. as of 31 December 2011, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG S.A.
Société Anonyme
Cabinet de révision agréé

Jeannot WEYER
Luxembourg, 19 April 2012

Energy in motion



Creos Luxembourg Annual Report is published in both French and English.
Only the French version may be considered the original; others are simply free translations.

We would like to thank all those involved in the preparation and publication of this Annual Report.

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