

## Key Data 2004

### Results

- **Stability of consolidated net result**  
Group share 2004: € 53 million (2003: € 52 million)
- **Net dividend per share 2004: € 37.95**

### Services

- **New model for grid access: grid users can manage their purchasing portfolios more flexibly**

### Investments

- **Investment decisions for more than € 250 million: LNG terminal capacity enhancement and participation in BBL pipeline between Bacton (GB) and Balgzand (NL)**

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## **1. Ghislenghien accident**

*On 30 July 2004, a serious accident occurred in Ghislenghien on the transit pipeline Zeebrugge-Blaregnies: 24 people lost their lives and 131 people were injured as a result of the accident. The corporate bodies and staff of Fluxys were deeply affected by the high human toll of this accident. In line with its corporate culture and social commitment Fluxys decided in August 2004 to make a voluntary contribution of € 1 million for the victims. In the same vein, Fluxys staff has set up various actions to demonstrate solidarity.*

*On the proposal of the Executive Committee, the Board of Directors decided this afternoon to make another donation of € 1 million in aid of the victims of the Ghislenghien accident.*

The circumstances of the accident in Ghislenghien are the subject of a judicial inquiry to which Fluxys is giving its full cooperation. Without wishing to prejudge the outcome of this inquiry, it is worth pointing out that severe damages by third parties have been found on the affected pipeline.

Fluxys has for years been pursuing an active awareness raising policy on the safety of its installations towards all parties concerned by works in the vicinity of its infrastructure. The accident has further enhanced awareness of the safety risks entailed by this type of works, and Fluxys wants to capitalize on this to bolster its awareness raising and information actions. Thus, in the first half of 2005, the company will invite, in cooperation with the provincial governors, all the municipalities to information meetings in order to reiterate the information processes and safety measures to be observed during works in the vicinity of Fluxys' infrastructure.

Fluxys is moreover cooperating actively in various initiatives to develop the means necessary so that all parties concerned can fulfil their role optimally in the prevention of damage by third parties. In 2005 the company will set up joint awareness campaigns with the construction industry to focus on the topics that require attention with regard to works in the vicinity of pipelines. At the request of the federal and regional authorities, Fluxys is also working with other transport grid operators to create a central cartographic database of underground transport pipelines.

Furthermore, Fluxys is giving its full support to government initiatives regarding the safety and efficiency of the emergency services in case of incidents. For example, the company is cooperating on creating a special "gas" module for emergency services training, and on the harmonisation of contingency plans that various authorities are drawing up.

## 2. Financial results 2004

*The auditor has confirmed that the information contained in this press release is not subject to any reservations on his part, and matches the annual accounts approved by the Board of Directors.*

### 2.1 Consolidated results (in accordance with Belgian standards)

Consolidated results (in thousands of €)		
	31-12-2004	31-12-2003
<b>Turnover</b>	<b>434,298</b>	<b>384,926</b>
Operating result	107,164	100,622
Financial result	446	- 570
<b>Current result</b>	<b>107,610</b>	<b>100,052</b>
Extraordinary result	85	4,169
<b>Result before tax</b>	<b>107,695</b>	<b>104,221</b>
Taxes	-51,677	- 49,850
Net result of companies accounted for by equity method	-	-
<b>Net result</b>	<b>56,018</b>	<b>54,371</b>
Fluxys share	52,836	51,558
Third party share	3,182	2,813
profit per share on current activities – in €	153.15	142.40
Fluxys share on net profit per share - in €	75.20	73.38
Cash flow	139,781	124,751
Capital and reserves - including third party share	1,428,190	1,410,088
Capital and reserves – Fluxys share	1,387,617	1,370,617
Investments in tangible assets	58,449	33,823

**Consolidation scope.** In comparison with 31 December 2003, the consolidation scope and the share percentages have changed as follows: formation and full integration of two subsidiaries under Dutch law, Fluxys NL bv and Fluxys BBL bv. These two companies were set up as part of our 20% participation in the BBL Company vof, a company that has been integrated proportionally since the second half of 2004. The consolidation scope and the share percentages in our other consolidated subsidiaries Fluxys LNG, SEGEO, Huberator and GMSL remained unchanged during the year 2004.

**Turnover.** Turnover in 2004 was up by € 49.4 million compared to 2003. This variation is spread between regulated activities and other activities as follows:

- **Regulated activities.** Transport, storage and terminalling activities represent € 312.9 million or 72% of the year's turnover. In 2003, these services represented € 281.6 million or 73% of annual turnover. This increase of € 31.3 million is triggered among other things by the impact of higher costs in the transport and grid balancing activities.
- **Other activities.** Turnover of the other activities amounted to € 121.4 million, or 28% of the year's turnover. In 2003, the proportion of the other activities was € 103.3 million, or 27% of

annual turnover. This increase derives mainly from transit activities which also involved a non-recurrent adjustment of € 7.7 million, owing to the tariff renegotiation of certain contracts.

**Operating result.** The operating result improved by nearly € 6.6 million compared to 31-12-2003. This increase is due to the contribution of non-recurrent elements of the other activities, a contribution however that was mitigated by a slight drop in the operating result of the regulated activities.

**Financial result.** The financial result improved by € 1 million compared to the previous financial year. This change is due, among other things, to the result of our policy of early repayment of loans implemented in 2003.

**Taxes.** Taxes rose by € 1.8 million, mainly due to the increase in the gross result for the financial year.

**Result for the financial year.** The consolidated net result for the financial year is € 56 million. Fluxys' share of this result is stable compared to the previous year and amounts to € 53 million, compared to € 52 million in 2003.

## 2.2 Consolidated balance sheet (in accordance with Belgian standards)

<b>Consolidated balance sheet (in thousands of €)</b>		
<b>Assets</b>	31-12-2004	31-12-2003
<b>Fixed assets</b>	1,444,729	1,459,583
Long-term amounts receivable	456	513
Stocks	12,791	11,936
Short-term amounts receivable	40,233	26,809
Liquid assets	383,039	319,966
Deferred charges and accrued income	15,939	16,765
<b>Total</b>	<b>1,897,187</b>	<b>1,835,572</b>
<b>Liabilities</b>		
Capital and reserves	1,387,617	1,370,617
Minority interests	40,573	39,471
Provisions	128,587	124,022
Long-term amounts payable	127,140	144,361
Short-term amounts payable	150,504	109,124
Accrued charges and deferred income	62,766	47,977
<b>Total</b>	<b>1,897,187</b>	<b>1,835,572</b>

**Fixed assets.** The tangible investments for the 2004 financial year were € 58.4 million (see 'Consolidated Results') and were higher than in the previous financial year following the decision to invest in the capacity enhancement of the Zeebrugge terminal and in the BBL project in the Netherlands.

**Short-term amounts receivable.** The increase in short term amounts receivable results mainly from invoices issued at the end of the year and falling due in early 2005.

**Short-term amounts payable.** The increase in short-term amounts payable is due mainly to the increase in trade debts and taxes.

**Accruals.** The increase in this item is to be seen in relation to the bonus/malus effects inherent in the tariff mechanisms of the regulated activities.

**Capital and reserves.** The Capital and reserves of the Group increased by € 17 million. This variation derives from the following movements:

<b>Capital and reserves (in thousands €)</b>	
<b>Capital and reserves at the end of the previous financial year</b>	<b>1,370,617</b>
<b>Changes during the financial year</b>	
Conversion differences	- 23
Revaluation of fixed assets	-260
Result for the financial year	
- Consolidated result (group's share)	+ 52,836
- Appropriation of the result (dividends)	- 35,553
<b>Capital and reserves at the end of the financial year</b>	<b>1,387,617</b>

### 2.3 IFRS

The company has analysed the various IFRS standards and evaluated the impact on its financial situation, performance and cash flow. The divergences between the application of the current Belgian standards and the application of IFRS standards mainly concern leasing contracts (IAS 17), employee benefits (IAS 19), provisions (IAS 37), deferred taxation (IAS 12) and a change in the consolidation scope.

Today, the Board of Directors has adopted the opening balance sheet and the IFRS accounting methods of the Fluxys group. The reconciliation between the capital and reserves presented according to the Belgian standards and the IFRS standards on 1 January 2004, transition date to the IFRS standards, is available on the Fluxys website: [www.fluxys.net](http://www.fluxys.net) > Financial info > Company reports & info, section 'Presentations'.

The Board of Directors will meet on 23 March 2005 to decide on the IFRS financial statements for 2004. Information relative to the IFRS will be provided in the annual report.

## **2.4 Results of Fluxys SA**

The gross current result of Fluxys SA is € 89.9 million, i.e. an increase of € 5.2 million compared to 2003. This increase is mainly due to price renegotiations in the other activities, and the effects of these renegotiations are partly non-recurrent.

The net result of Fluxys SA amounts to € 47.3 million, compared to € 46.6 million in 2003. Taking into account the profit carried forward of € 3.8 million and the statutory obligation to distribute at least 75% of the net current result, the Board of Directors proposes to appropriate the result as follows:

- € 12 million to the available reserves,
- € 3.6 million to the profit to be carried forward,
- € 35.5 million to dividend payments.

The gross dividend per share for the 2004 financial year is € 50.60, compared to € 47 in 2003. The net dividend per share amounts to € 37.95. As indicated above, this dividend increase is based mainly on non-recurrent factors.

## **2.5 Outlook for 2005**

In its approval of the regulated tariffs for 2005, the Belgian federal regulator CREG chose to reduce the fair profit margin substantially in comparison with the original tariff proposals of Fluxys and Fluxys LNG. This decision will have a negative impact on the consolidated results for 2005 that can amount to € 8.6 million on the regulated income after taxes. The Board of Directors considers it important that the transposition of the 2nd European Gas Directive, and in particular the introduction of multi-annual tariffs, will offer the opportunity to modify the tariff methodology for regulated activities and to devise a system stimulating investment (see point 4).

# **3. Further development of activities**

## **3.1 Evolution of tariffs for transport, storage and LNG terminalling**

In the present legal and regulatory framework, a system of regulated tariffs applies for natural gas transport services, natural gas storage services and LNG terminalling services. Each year, a tariff proposal for the next operating year has to be submitted to the Belgian federal regulator (CREG) for approval.

With the 2004 tariffs, Fluxys and Fluxys LNG continued to be among the group of transport operators with the lowest tariffs, a position that has been maintained with the 2005 tariffs.

### **3.2 New model for grid access: grid users can manage their purchasing portfolios more flexibly**

Starting on 1 April 2004, Fluxys has progressively switched from a point-to-point model to an entry/exit model for access to its grid. The new model enables grid users to manage their purchasing portfolio more flexibly and therefore more optimally for their supplies to the Belgian market. Based on the feedback Fluxys has collected from grid users, several refinements to the model have been introduced and will become operational as from 1 April 2005.

### **3.3 Increase in transport capacity for supplies to Antwerp**

In the port of Antwerp, Fluxys carried out various infrastructure works to increase transport capacity for high calorific natural gas. In Zandvliet, for instance, an entry point for high calorific natural gas came on stream in October 2004. The Zomergem-Zelzate pipeline was also laid to increase the transport capacity for supplying Antwerp. However, the standard pre-commissioning tests revealed shortcomings among the pipes used. In line with the strict safety policy in the field of natural gas grids in Belgium, Fluxys decided to replace the pipes along the entire length of the pipeline. The work on this is due to start in March 2005.

### **3.4 Favourable development of liquidity at Zeebrugge Hub**

In 2004, the liquidity and the volumes traded at the Zeebrugge Hub increased slightly in comparison with 2003, in spite of a fall in the number of customers (56 at the end of 2003, and 44 at the end of 2004). The transition to a new version of the Huberator service agreement on 1 October 2004 resulted in a number of non-active customers not renewing their contract. The introduction of an electronic natural gas exchange at the Zeebrugge Hub is expected to increase the number of Huberator customers again (see below).

### **3.5 Investment decisions for more than € 250 million**

With three investment decisions in 2004 totalling more than € 250 million, the Fluxys Group has confirmed its determination to be an active operator in the development of infrastructure for supplying natural gas to North-Western Europe. The projects increase import flexibility, transport capacity and liquidity on the Belgian and European markets. The project to expand the capacity of the Zeebrugge terminal is subject to a specific regulated tariff regime typical for new investments of European interest. The other projects are not subject to Belgian regulation.

**LNG terminal capacity enhancement.** In June and July 2004, Fluxys LNG signed long-term contracts with 3 terminal users: Qatar Petroleum/ExxonMobil, Distrigas and Tractebel Global LNG. The contracts start in 2007-2008 and jointly account for an annual capacity of about 9 billion cubic metres of natural gas. In this context, it was decided to invest about € 165 million in enhancing the capacity of the terminal. The extension works started in October 2004 and are running to schedule.

**Participation in the BBL pipeline between Bacton (GB) and Balgzand (NL).** In July, Fluxys signed an agreement with Gasunie and E.ON Ruhrgas for a 20% stake in the *BBL Company*. The company is the owner and future operator of the BBL pipeline under construction. The pipeline will have a capacity of approximately 16 billion cubic metres per year and requires investment of approximately € 500 million. The works started in October 2004 and the pipeline will come into service in 2006-2007.

**Natural gas exchange at the Zeebrugge Hub has started.** In June 2004, a cooperation agreement was signed by Huberator, APX and Endex to develop a natural gas exchange for the Zeebrugge Hub: an electronic platform to trade natural gas *on line* and anonymously. On 3 February 2005, the natural gas exchange was launched.

## 4. Transposition of the 2<sup>nd</sup> EU Gas Directive

The 2nd EU Gas Directive (16 July 2003) provides for its transposition in national law by 1 July 2004. In Belgium, the transposition occurs via changes to the Gas Act. A bill to this effect was approved by the (Belgian) Federal Council of Ministers on 14 January 2004.

The bill provides for a procedure to officially designate a system operator for the natural gas transport network, for the natural gas storage facilities, and the LNG terminalling facilities. According to the bill, a system operator needs to fulfil a number of specific requirements in terms of independence and corporate governance. These mainly relate to the composition and functioning of the corporate bodies and the independence of the management.

In accordance with the Directive, the bill provides for border-to-border gas transmission (transit) to be brought under a regulated tariff regime. According to the *Sanctity of Contracts* principle, the negotiated system remains valid for existing transit contracts.

For the regulated services, there will be a switch from the current system of annual tariffs to a multi-annual tariff system, a regime that should increase the predictability and stability of tariffs.

In view of the importance of new gas projects to increase security of supply and liquidity on the market, the bill indicates that the return on capital invested should be sufficiently attractive. The fair margin must also offer prospects for access to the long-term capital markets. This means that a new Royal Decree on tariff structure and methodology is needed in order to implement the new Gas Act.

## 5. Corporate governance

The general meeting of shareholders of 14 January 2004 has appointed five independent directors meeting the criteria laid down by Article 524 of the Companies Code and the Board of Directors decided to set up two special committees (Audit and Remunerations) on 25 February 2004.

We also point out the new Belgian Corporate Governance Code published on 9 December 2004 and the bill transposing the 2<sup>nd</sup> European Gas Directive in Belgian law. Fluxys will draw up a Corporate Governance Charter by the end of the year, taking account of the specific legal obligations that will be applicable.

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