

**Key data for the first half of 2005**

- Consolidated net result (IFRS): decrease of around € 6 million in line with the prospects announced for 2005
- Prospects for the 2005 dividend remain in place
- Buyout by Fluxys of equity stake in Fluxys LNG still held by Belgian Shell
- Work to enhance capacity at the Zeebrugge LNG terminal is on schedule and within budget
- Major market interest in the project to develop new capacity on the east/west transmission axis (Zeebrugge-Zelzate/Eynatten)

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## 1. Consolidated half-year results at 30 June 2005

*Following the CBFA's circular letter FMI/2003-02, the consolidated half-year results for 2005 have for the first time been drawn up in accordance with the accounting and evaluation principles of the International Financial Reporting Standards (IFRS) as adopted in the European Union. The options chosen by the FLUXYS Group with reference to the first implementation of these standards, as well as the IFRS accounting methods have been published in a specific report, available on the Fluxys web site: [www.fluxys.net/Financial info/Company reports & info](http://www.fluxys.net/Financial%20info/Company%20reports%20&%20info), see 'IFRS'.*

**Accounting policies.** Accounting policies and calculation processes used in the preparation of the half-year financial results are identical to those used in the preparation of its balance sheet and income statement at 31 December 2004. The different reconciliations with the Belgian standards are published on the company's web site: [www.fluxys.net/Financial info/Company reports & info](http://www.fluxys.net/Financial%20info/Company%20reports%20&%20info), see 'IFRS'.

**Consolidation scope.** The consolidation scope and ownership interests have evolved as follows in relation to 31 December 2004:

- Fluxys' increased its equity stake in Fluxys LNG to 93.2% following its buyout of Belgian Shell's stake in this company.
- Fluxys realised minor modifications to its equity stake in Segeo
- Fluxys acquired a 5% equity stake in Endex NV
- Huberator acquired a 42% equity stake in APX Gas Zeebrugge BV

The equity stakes in Endex NV and APX Gas Zeebrugge BV fit in with the cooperation between Fluxys and these two companies to develop a natural gas exchange (cf. 2.4).

### 1.1 Summary Consolidated Income Statement

<i>(€ thousands - IFRS)</i>	2005 1 <sup>st</sup> HY (6 months)	2004 1 <sup>st</sup> HY (6 months)
<b>Revenue</b>	<b>206,006</b>	<b>185,388</b>
Profit from operations	55,998	59,471
Net finance income	216	1,453
<b>Profit from continuing operations</b>	<b>56,214</b>	<b>60,924</b>
Share of profit from equity accounted investments	0	0
Income tax	(19,631)	(18,588)
<b>Net profit for the period</b>	<b>36,583</b>	<b>42,336</b>
Fluxys share	34,235	40,989
Third party share	2,348	1,347

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**Revenue.** 2005 1<sup>st</sup> half-year revenue amounted to € 206 million, a € 20.6 million increase over to 2004 interim revenue of € 185.4 million.

- Regulated activities. Regulated activities accounted for 78% of Group revenue, amounting to € 161.4 million, up € 16.9 million over the same period last year, primarily reflecting network balancing charges billings (compensated by an equivalent gas purchasing charge at the operating expenses level). In addition, it should be noted that CREG's decision on the rate of return (based on the Belgian government bond quotes) constituting the fair profit margin has an adverse impact on revenue of some € 6 million (see 2 March 2005 Press Release - *2.5 2005 Outlook*).
- Other activities. Other activities accounted for 22% of Group revenue, amounting to € 44.6 million, up € 3.7 million over the same period last year. This progression arises primarily from a non-recurrent tariff regularisation of our shipper services for third parties.

**Profit from continuing operations.** 2005 1<sup>st</sup> half-year profit from continuing operations was € 3.5 million lower than that realised for the same period last year. This decrease results from various factors, with the most important being, for regulated activities, a deterioration in the fair profit margin, which was partially compensated by a better contribution of profit from operations generated by other activities (aforementioned non-recurring items).

**Net finance income.** 2005 1<sup>st</sup> half-year net finance income was € 1.2 million lower than for the same period last year. This decrease is mainly caused by an increase in the financial costs linked to IFRS restatements.

**Income tax.** Income tax was € 1 million higher over the same period last year, as a result of non-recurring items arising in 2004, and despite lower profit from continuing operations.

**Net profit for the period.** Fluxys reported an interim net profit at 30 June 2005 of € 36.6 million, down € 5.7 million over the same period last year.

1.2 Summary Consolidated Balance Sheet

<i>(€ thousands - IFRS)</i>	30 June 2005	31 December 2004
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,549,915</b>	<b>1,519,590</b>
Intangible assets	1,311,175	1,283,858
Property, plant and equipment	14,436	11,793
Equity and other financial investments	391	49
Other	223,913	223,890
<b>Current assets</b>	<b>477,668</b>	<b>487,665</b>
Inventory	12,629	12,791
Tax receivable	3,703	389
Trade and other receivables	45,581	49,129
Cash and cash equivalents	408,217	419,582
Other	7,538	5,774
<b>TOTAL ASSETS</b>	<b>2,027,583</b>	<b>2,007,255</b>
<i>(€ thousands - IFRS)</i>	<b>30 June 2005</b>	<b>31 December 2004</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity and minority interest</b>	<b>1,149,939</b>	<b>1,153,869</b>
Equity	1,129,599	1,130,377
Minority interest	20,340	23,492
<b>Non-current liabilities</b>	<b>731,146</b>	<b>714,490</b>
Interest bearing liabilities	265,476	241,523
Provisions for liabilities and charges	91,768	92,026
Deferred tax liabilities	373,902	380,941
Other	0	0
<b>Current liabilities</b>	<b>146,498</b>	<b>138,896</b>
Interest bearing liabilities	18,309	22,993
Provisions for liabilities and charges	9,518	10,423
Tax liabilities	24,513	15,936
Trade and other liabilities	70,737	70,552
Other	23,421	18,992
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,027,583</b>	<b>2,007,255</b>

**Non-current assets – property, plant and equipment.** Property, plant and equipment capital expenditures of € 55.8 million were realised in the 1<sup>st</sup> half of 2005, primarily concerning the capacity enhancement of the Zeebrugge LNG terminal and the pipeline between Bacton and Balgzand.

**Current assets.** The decrease in cash and cash equivalents results in part from the aforementioned capital expenditures.

**Non-current liabilities.** Interest bearing liabilities increased in part due to the allocation of a previous years' tariff bonus, kept available for future regulated activities tariffs.

**Current liabilities.** The increase in current liabilities is primarily due to an increase in tax liabilities linked to the absence of a VAT instalment at 30 June 2005 relative to 31 December 2004.

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### 1.3 Statement of Changes in Consolidated Equity

Parent Company shareholders' equity decreased by € 0.8 million during the 1<sup>st</sup> half of 2005, as a result of the following factors:

<i>(€ thousands - IFRS)</i>	
<b>Equity at 31 December 2004</b>	<b>1,130,377</b>
<b>Changes during the financial year</b>	
Translation adjustment	281
Change in consolidation scope	259
Net profit for the period – Group share	34,235
Cash dividends payment	(35,553)
<b>Equity at 30 June 2005</b>	<b>1,129,599</b>

### 1.4 Summary Consolidated Cash Flow Statement

<i>(€ thousands - IFRS)</i>	
<b>Cash and cash equivalents at 31 December 2004</b>	<b>418,350</b>
<b>2005 1<sup>st</sup> half year cash flow movements</b>	
Operating activities cash flows	59,729
Investing activities cash flows	(59,612)
Financing activities cash flows	(10,250)
Total cash flow movements	(10,133)
<b>Cash and cash equivalents at 30 June 2005</b>	<b>408,217</b>

## 2. Development of activities

### 2.1 Transmission: new industrial connections and additional expansion of transmission capacity towards Antwerp

In the first half of 2005, Fluxys connected the Orafti sugar refinery to its grid and the new Zandvliet Power unit in the port of Antwerp took off its first cubic meter of natural gas from the Fluxys grid. In August 2005, the Râperie de Longchamps sugar refinery was also connected. Later in the year will follow Ineos (chemicals) and BLC (logistics), both located in the Antwerp region. All in all, these connections lead to a significant increase in the volume of natural gas drawn from the Fluxys grid for consumption on the Belgian market.

With a view to bolstering transmission capacity towards Antwerp, in September 2005 the Zomergem-Zelzate pipeline will be commissioned and in August 2005 work began to lay the Weelde-Zandhoven pipeline, due to be ready by the end of the year.

### **2.2 Storage: feasibility of further expanding underground storage at Loenhout under study**

Given the growing market demand for natural gas storage, Fluxys is continuing to look into the opportunities for increasing its storage capacity. Accordingly, in the period 1999-2004 the working volume of the underground natural gas storage facility in Loenhout was gradually increased from 475 to 580 million cubic metres. Fluxys is currently examining the technical and economic feasibility of continuing the gradual enhancement of the working volume to 700 million cubic metres by 2009-2010.

### **2.3 LNG terminalling: capacity enhancement of the Zeebrugge terminal on schedule**

The users of the LNG terminal in Zeebrugge have booked long-term capacity of around 9 billion cubic metres per year, starting in 2007-2008. Accordingly, the terminal's capacity is being doubled. The capacity enhancement works began in October 2004 and are proceeding on schedule and within budget.

### **2.4 Hub services: liquidity on the Zeebrugge Hub develops positively**

In February 2005, Huberator, the Fluxys subsidiary operating the Zeebrugge Hub, and APX joined forces to launch a natural gas exchange for the hub, an electronic platform offering traders the opportunity to conclude short-term natural gas deals anonymously and without any counterparty risk. Six traders are currently active on the APX platform. It is expected that by the end of 2005 Endex will offer for the Zeebrugge Hub natural gas futures and clearing services for long-term over-the-counter transactions.

In the first half of 2005, a couple of key players came in as Huberator customers: ExxonMobil Gas Marketing Europe and Gasunie Trade & Supply. The net volumes traded on the Zeebrugge Hub rose by 3% in the first half of 2005 compared with the same period in 2004. The churning factor, the number of times that natural gas is re-sold on the hub, rose by 30%. This good performance can be attributed in part to the fact that since early 2005 the financial traders on the hub have been boosting their activity.

### **2.5 Business development: more than 20 parties interested in new transmission capacity on the Zeebrugge-Zelzate/Eynatten link**

Fluxys is considering the possibility of enhancing the transmission capacity of the Zeebrugge-Zelzate/Eynatten (VTN) link in the direction of Zeebrugge by the end of 2009. This would make it possible to move to the UK much larger volumes of natural gas from Russia (entry at Eynatten) and new quantities of Norwegian natural gas (entry at Zelzate). The driver for the project is the changing supply situation in the UK, which will become a gas importer within the foreseeable future.

In June 2005, Fluxys sent out an Information Memorandum to determine how much interest there is in the market for reserving long-term transit capacity on the proposed connection. More than 20 parties have expressed an interest so far. Fluxys aims to conclude transit contracts for the project

by the end of the year. The investment decision for the project will have take into account both the possible contracts to be concluded and the economic conditions allowed by CREG.

### 3. Ghislenghien accident

In the first half of 2005 Fluxys pursued its efforts to provide support for the victims of the accident in Ghislenghien. The company also puts considerable effort into helping ensure the smooth progress of the legal proceedings and continued collaborating actively on various initiatives designed to prevent third parties from damaging pipelines.

#### 3.1 Additional donation for victims

In August 2004 the Board of Directors decided to release € 1 million for the victims of the accident. That sum was made available to the Ghislenghien Foundation to help those victims not covered by industrial accident insurance. In March 2005 the Board of Directors decided to donate another € 1 million.

#### 3.2 Judicial inquiry

The circumstances surrounding the accident in Ghislenghien are the subject of a judicial inquiry with which Fluxys is fully cooperating. Analyses carried out at the request of Fluxys by Professor de Meester (UCL – catholic university of Louvain) clearly indicate which type of earth-moving machine caused damage to the Ghislenghien pipeline prior to the accident.

#### 3.3 Major efforts to pursue the policy on preventing damage to pipelines by third parties

For years, Fluxys has pursued an active prevention and awareness raising policy about the safety of its facilities, focusing on parties involved in works in the vicinity of its infrastructure and on their legal obligations. Fluxys has further intensified its prevention and awareness-raising policy, especially towards municipal authorities and contractors.

As Fluxys has at its disposal a digital database containing all data of its entire grid. This database serves as a solid basis to actively contribute to a smooth implementation of the federal cable and pipeline information database (KLIM): an Internet-based application that is to serve as a central database for everyone who wants to carry out works in the vicinity of high-voltage connections or facilities used transmit hazardous substances by pipeline.

### 4. New gas law

The new gas law, which transposes the 2nd European Gas Directive into national law, was published in the Belgian Official Gazette in June 2005.

- The law provides for a procedure to officially appoint a single system operator for the natural gas transmission system, for the natural gas storage facilities and for the LNG terminalling facilities. Fluxys and Fluxys LNG will prepare, by mid-2006, their applications to be appointed

single system operators and will, by that time, also meet the corporate governance provisions set out in the new gas law.

- With regard to regulated services the law also provides for a transition from annual tariffs to multi-year tariffs, a system that should enhance the predictability and stability of tariffs. If the appropriate implementing decisions are taken in good time, the new multi-year system can be applied as from 2007.

## 5. Prospects for 2005

As can be seen in the half-yearly results (see 1.1 under Revenue – regulated activities), the return on regulated investments shows a downward development. Fluxys has announced this trend earlier at the publication of the 2004 results (press release dated 2 March 2005, '2.5 Prospects for 2005'). Due in part to the increased contribution of other elements in the result, Fluxys expects to be able to offer shareholders a dividend for 2005 that is at least in line with past dividends.

## 6. Auditor's report

We have conducted a limited review of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the statement of changes in consolidated equity for the half-year ending on 30 June 2005. This interim financial information was compiled on the responsibility of the Board of Directors.

Fluxys' next consolidated annual financial statements will be drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union. The interim financial information was compiled in accordance with the accounting and evaluation principles specified by the Board of Directors for drawing up the first consolidated annual financial statements for the financial year 2005 produced according to the IFRS reference system adopted within the European Union.

We point out that these accounting methods may undergo changes insofar as the IFRS reference system adopted within the European Union may alter between now and 31 December 2005, in which case any such changes may have to be applied retrospectively to the interim financial information for the half-year ending 30 June 2005.

Our limited review was undertaken in accordance with the recommendation of the Belgian Auditing Institute (*Institut des Réviseurs d'Entreprises/Institut der Bedrijfsrevisoren*). A limited review mainly consists of analysing, comparing and discussing the interim financial information with the management. It is less extensive than a full audit carried out in accordance with the auditing standards applied for certifying accounts. For this reason, we cannot certify the interim financial information.

Our limited review did not reveal any facts or features that might lead us to believe that the interim financial information for the half-year ending 30 June 2005 was not compiled in accordance with the

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legal and regulatory provisions applying under the IFRS accounting and evaluation principles adhered to by the company.

Brussels, 24 August 2005

### **Deloitte Réviseurs d'entreprises SC s.f.d. SCRL**

represented by Jos Vlaminckx

#### **CONTACTS**

##### **Financial and accounting information**

*René Sterckx*

Tel.: +32 (0)2 282 74 80

Fax: +32 (0)2 282 75 83

E-mail: [rene.sterckx@fluxys.net](mailto:rene.sterckx@fluxys.net)

##### **Press contacts**

*Bérénice Crabs*

Tel.: +32 (0)2 282 72 30

Fax: +32 (0)2 282 79 43

E-mail: [berenice.crabs@fluxys.net](mailto:berenice.crabs@fluxys.net)

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