

Press Release

Results 2003 – 25 February 2004

Highlights 2003

Results:

- Consolidated result Fluxys: 51.6 million €
- Net dividend per share: 35.25 €

Services:

- Regulated tariffs for transport, storage and LNG terminalling competitive with tariffs elsewhere in Europe
- Access to the network: development of a new model and extension of services offered to grid users.
- Zeebrugge hub: favourable liquidity development
- Increase of transport capacity in the north of Limburg and in Antwerp

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1. Financial results 2003

The auditor has confirmed that the accounting information given in this press release does not call for any reservation on his part and corresponds to the company accounts as approved by the Board of Directors.

1.1 CONSOLIDATED RESULTS

Consolidated Results (in thousand €)		
	31-12-2003	31-12-2002
Turnover	384,926	411,860
Operating result	100,622	108,259
Financial result	- 570	- 9,462
Current result	100,052	98,797
Extraordinary result	4,169	- 38
Result before taxes	104,221	98,759
Taxes	- 49,850	- 55,330
Net result of companies accounted for by equity method	-	-
Net result	54,371	43,429
Fluxys share	51,558	40,873
Third party share	2,813	2,556
Profit per share on current activities - in €	142.40	140.61
Fluxys share of net profit per share - in €	73.38	58.17
Cash flow	124,751	133,852
Capital and reserves – including third party share	1,410,088	1,383,009
Capital and reserves – Fluxys share	1,370,617	1,344,268
Investments in tangible assets	33,823	24,875

Consolidation scope

The consolidation scope and the share percentages in our consolidated subsidiaries Fluxys LNG, SEGEO, Huberator and GMSL have not changed during 2003.

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Turnover

The turnover for 2003 was down 26.9 million € compared with 2002. This variation is spread between regulated and other activities as follows:

Regulated activities

In 2003, the turnover from the transport, storage and terminalling activities was achieved on the basis of regulated tariffs throughout the entire year. These activities represented 281.6 million €, or 73% of the annual turnover. In 2002, these same services represented 78% of turnover, or 321.3 million €.

This fall of 39.7 million € was mainly caused by the drop in regulated tariffs compared to the negotiated tariffs applied during the first ten months of 2002.

Other activities

The turnover for 2003 resulting from other activities amounted to 103 million € and represented 27% of the annual turnover. In 2002, the other activities represented 22 % of the annual turnover, or 91 million €.

This increase stemmed essentially from transit services, the non-recurrent sale of gas following the draining of cushion gas in the decommissioned Anderlues storage facility, and the integration of 12 months of GMSL activity compared to 6 months in 2002.

Operating result

The turnover drop had a negative impact on the 2003 operating result in the order of ± 8 million € as against 2002.

Financial result

The 2003 financial result improved as a result of two factors: the group's treasury optimisation policy through early repayment of a part of the debt and the renegotiation of the financial conditions of the loans taken out by Fluxys LNG.

Extraordinary result

The 2003 financial year has recorded non-recurrent income in the order of 4.1 million €, the charges of which were accounted for in previous financial years.

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Taxes

Taxes were down 5.5 million €, essentially due to the reduced tax rate.

Consolidated result for the financial year

The net consolidated result for the year, which was influenced by non-recurrent results for an amount of 6.5 million €, was at 54 million € as against 43 million € for the previous year. The Fluxys share in this result rose from 41 million € to 52 million €.

1.2 CONSOLIDATED BALANCE SHEET

Consolidated balance sheet (in thousand €)		
Assets	31-12-2003	31-12-2002
Fixed assets	1,459,583	1,495,610
Long-term amounts receivable	513	570
Stocks	11,936	11,785
Short-term amounts receivable	26,809	42,220
Liquid assets	319,966	461,909
Deferred charges and accrued income	16,765	16,811
Total	1,835,572	2,028,905
Liabilities		
Capital and reserves	1,370,617	1,344,268
Minority interests	39,471	38,741
Provisions	124,022	135,132
Long-term amounts payable	144,361	337,502
Short-term amounts payable	109,124	151,827
Accrued charges and deferred income	47,977	21,435
Total	1,835,572	2,028,905

Fixed assets

Tangible investments for 2003 amounted to 33.8 million €. The main expenditure for the year related to the laying of a new pipeline between Dilsen and Lommel (see 2.3).

Liquid assets

The reduction of liquid assets is to be interpreted in relation to the early repayment of the major part of our financial debts.

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Long- and short-term amounts payable

In 2003, the Fluxys group instituted an early repayment programme for its long-term loans which made its debt position to improve by ±198 million €.

Capital and reserves

The group's capital and reserves increased by 26.3 million €. This variation stemmed from the following movements:

Capital and reserves (in million €)	
Capital and reserves at the end of the previous financial year	1,344,268
Movements during the financial year	
Translation differences	- 45
Revaluation of fixed assets	+ 7,860
Result for the financial year	
- Consolidated result (group's share)	+ 51,558
- Appropriation of the results (dividends)	- 33,024
Capital and reserves at the end of the financial year	1,370,617

1.3 RESULTS OF FLUXYS SA

The gross current result of Fluxys SA was at 84.8 million €, an amount at comparable level to 2002, as the fall in regulated activity income was offset by a non-recurrent result from other activities. The net current result rose from 39 million € in 2002 to 43.9 million € in 2003 on account of the reduced tax rate.

The net result of Fluxys SA rose to 46.6 million € as against 39 million € in 2002. Taking into account a profit to be carried forward of 3.2 million € and the statutory obligation to distribute at least 75% of the net current result, the Board proposes to appropriate the result as follows:

- 13 million € to available reserves,
- 3.8 million € as profit to be carried forward,
- 33 million € to dividend payments.

The gross dividend per share for the 2003 financial year amounts to 47 €, compared with 42 € in 2002. The net dividend per share is 35.25 €. This rise in dividend is based mainly on non-recurrent factors, as mentioned above.

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2. Evolution of the company's activities

2.1 REGULATED TARIFFS FOR TRANSPORT, STORAGE AND LNG TERMINALLING COMPETITIVE WITH TARIFFS ELSEWHERE IN EUROPE

In the current legal and regulatory context, a system of regulated tariffs applies for natural gas transport and storage services as well as LNG terminalling services. Each year, a tariff proposal for the following operating year is to be submitted for approval to the Belgian federal regulator CREG.

The Fluxys 2003 tariffs for transport, storage and LNG terminalling have reinforced the European competitiveness of the 2002 tariffs thanks to an average tariff drop of 6%. The 2004 tariffs remain very competitive in spite of the additional costs needed for offering transport services in a liberalised market and for meeting regulatory requirements.

2.2 DEVELOPMENT OF A NEW NETWORK ACCESS MODEL

Natural gas transmission companies have been asked by the European Commission and the Madrid Regulatory Forum to implement an entry/exit model for access to their networks. In this context, Fluxys developed a new model in 2003 that will become effective progressively as from 1 April 2004. The new model enables Fluxys to offer extended services such as balancing on a daily instead of an hourly basis, the concluding of short-term capacity contracts (minimum 7 days) and additional flexibility in periods of intense cold for supplying residential customers.

2.3 INCREASE OF TRANSPORT CAPACITY IN THE NORTH OF LIMBURG AND IN ANTWERP

The Dilsen-Lommel pipeline has been laid in order to increase the capacity for high calorific natural gas transmission to the north of Limburg. In addition, various infrastructure works have been carried out in the Antwerp port area with a view to increasing capacity for high calorific natural gas transmission to the energy intensive industry. For example, the new Air Liquide and Zandvliet Power production plants at the BASF site have been connected to the high calorific network. Works have also begun to make capacity available for supplying the Antwerp region with high calorific natural gas coming from the Netherlands. This is done by building a second entry point at Zandvliet which will be brought into service midway through 2004, enabling Fluxys to meet the forecast growth in demand in the region.

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2.4 ZEEBRUGGE HUB: FAVOURABLE LIQUIDITY DEVELOPMENT

Fluxys' subsidiary Huberator, the operator of the Zeebrugge Hub, saw its number of customers grow from 47 at the end of 2002 to 56 at the end of 2003. Some forty customers on average are active each day on the hub. In comparison with 2002, liquidity on the Zeebrugge Hub was slightly up. The daily average of the net traded volumes corresponds to more than twice the average daily consumption on the Belgian market. Since November 2003, business on the Zeebrugge Hub has started to increase to a significant degree, even recording a historical top month in January 2004.

3. Projects and services under development

3.1 LNG TERMINAL CAPACITY EXTENSION

Following the market consultation on capacity requirements for LNG terminalling in Zeebrugge after 2006, Fluxys LNG has started negotiations with interested shippers. These negotiations are still in progress and reveal that a doubling of the terminal's capacity could be necessary to meet market demand. This would require construction of a fourth storage tank and an increase of send-out capacity. The investment for this capacity extension project is estimated at 170 million €.

The legal and regulatory framework for the capacity extension project has developed favourably in 2003: since August, Belgian federal gas law provides for the possibility of long-term tariffs for new infrastructure of national or European interest. On this basis, Belgian federal regulator CREG has put forward new guidelines and maximum tariffs regarding the capacity extension that take into account the investment risk and the competitive environment in which the project is being developed.

In the first half of 2004, an investment decision will be made on the basis of the long-term contracts to be concluded with the shippers.

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3.2 NEW SERVICES ON THE ZEEBRUGGE HUB

Fluxys' subsidiary Huberator intends to further develop the Zeebrugge Hub both as an international hub and a physical balancing tool for the Belgian market. To this end, the development of a clearing-service and an on-line market (screen-trading) is being studied in collaboration with other companies. These new services would enable Huberator to meet the needs of both energy traders (within-day trading) and financial brokers (financial products).

3.3 POSSIBLE FLUXYS PARTICIPATION IN THE BACTON-BALGZAND PIPELINE (BBL LINE)

In November 2003, Fluxys and Gastransport Services - GTS, the transport branch of Gasunie - signed a letter of intent in order to arrive at a Fluxys participation in the BBL pipeline that GTS intends to lay. The BBL is an undersea pipeline between Balgzand in the Netherlands and Bacton in the United Kingdom and should be commissioned in 2006-2007.

The GTS investment decision is expected during the first half of 2004. Fluxys will then decide whether or not to participate in the project.

4. Legal and regulatory context

4.1 DEVELOPMENT OF MARKET OPENING IN BELGIUM

Since 1 July 2003, all end consumers connected to the distribution networks in Flanders have been free to choose their natural gas supplier. The implementation of this complete liberalisation had to be carried out within 6 months following the Flemish government's decision. This extremely short implementation period constitutes a European record. In the Walloon Region, the progressive liberalisation of the distribution market was started on 4 January 2004. Fluxys, the distribution system operators and the regulators are working together intensively in order to meet the challenge of liberalisation at distribution level.

4.2 2ND EUROPEAN GAS DIRECTIVE

On 16 July 2003, the 2nd European Gas Directive was published and Member States are required to transpose it into their legislation by July 2004. Within the current

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Belgian legal and regulatory context, most of the Directive's provisions have already been anticipated. Such is the case in particular for the pace of the market opening, for the regulated tariff system for access to the transport infrastructure and for the designation of an independent regulator. The Directive's provisions on the designation of transport system operators and on moving to a regulated system for transit activities as from 1 July 2004 are among the few points outstanding.

Fluxys has also anticipated the Directive's orientations: the company had its natural gas sales activities unbundled as early as 2001. Furthermore, the company is already meeting the independence criteria for transport system operators stipulated in the Directive.

5. Corporate governance

On 14 January 2004, 5 independent directors were appointed during the Extraordinary General Meeting of Shareholders: Paul De fauw, André Farber, Claude Grégoire, Michel Van Hecke and Philippe Wilmès. These appointments were made within the context of the new Clause 524 of the Companies Act, which stipulates the terms for settling possible conflicts of interest in case of operations between associated companies.

The Board Meeting of 25 February 2004 decided in addition to create an Audit Committee and a Remuneration Committee.

Contacts

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