Press release
Results for the first half of 2004 – 26 August 2004

> During its meeting of 25 August 2004, the Board of Directors of Distrigas observed a minute's silence in memory of the victims of the disaster at Ghislenghien.
>
> On the company's behalf, the Board expressed its deepest feelings of sympathy to the victims of this tragic accident and to the families of the deceased.

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Press release

Results for the first half of 2004 – 26 August 2004

Distrigas: results first half 2004

- **Total gas sales volume: down by 10% compared with 2003**
- **Loss of market share in Belgium as a result of strong competitive pressures**
- **Gas market opened up for business customers in Wallonia and Brussels as of 1 July 2004**
- **Net consolidated result increases to € 94 million**

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1. Accident in Ghislenghien

The exploded gas pipe was constructed for the transit of Norwegian gas from Zeebrugge to the French border in Blaregnies. An adjacent pipeline used for domestic supply purposes, has also needed repairs. Since the disaster took place in the summer during maintenance work at certain Norwegian fields, there has been no impact on gas supply or transit. However, if one or both of these pipelines would be out of service for a longer period, supply will of course be adversely impacted.

2. Natural gas sales: down 10%

Total natural gas sales by Distrigas during the first half of 2004 were down by 10% compared with the same period in 2003.
The three main reasons for this reduction are the strong competitive pressure in Belgium following the further opening of the market, the milder weather conditions than in the winter of 2003, and finally the drop in sales of liquefied natural gas (LNG) abroad compared with the exceptionally high level reached in the first half of last year.
As a result, the volume sold amounts to 131 513 GWh, compared with 145 956 GWh in 2003.

On the Belgian market sales were down by some 8% compared with the first half of last year.

Sales outside Belgium and arbitrage sales were also lower, by around 13%. However, this figure has to be viewed in the light of the 23% increase in the first half of 2003 compared with the same period in 2002, due to the exceptional volumes of LNG delivered to Spain.

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Natural gas sales (in GWh)	1st half 04	1st half 03	Difference	Allocation of sales of 1st half 2004
Public distribution	38,783	45,486	- 15%	29%
Industry	25,526	26,403	- 3%	20%
Power generation	22,508	22,732	- 1%	17%
Sales in Belgium	**86,817**	**94,621**	**- 8%**	**66%**
Sales outside Belgium and arbitrage	**44,696**	**51,335**	**- 13%**	**34%**
Total	**131,513**	**145,956**	**- 10%**	**100%**
Total in billion m³ (1 m³ = 0.01163 MWh)	11.3	12.6		

2.1. Sales in Belgium: down 8%

- **Sales to public distribution** were down by 6 703 GWh, nearly 15% lower than the same period in 2003. This category includes sales by Distrigas to resellers and the intermunicipal companies in Brussels and Wallonia, which in turn sell the gas to their own customers (residential, tertiary and craft sectors as well as small and medium-sized enterprises) connected to the distribution network.

  The competition on the Flemish market for natural gas, which has been 100% open to competition since 1 July 2003, and was already strong, but has further intensified in the first half of this year.

  Similarly, there has been very strong competition in the segment of customers in Wallonia with an annual consumption of more than 12 GWh, since it became eligible on 4 January. The competitors are very active in this segment, and many sites have opted for a supplier or reseller who is not supplied by Distrigas.

  Distrigas anticipates that its sales to distributors/resellers will further decrease in the next few months, as all non-residential customers in Brussels and Wallonia have become eligible on 1 July in accordance with the second Gas Directive.

- **Sales to industrial customers** for their part amounted to 25 526 GWh, a decrease of 3%. Competition is already well established within this segment, where sites are generally connected to the high-pressure network and supplied directly by Distrigas. However, losses to the competition were partly offset by the greater competitiveness of natural gas compared with other fuels in the segment of “interruptible” customers.

- **Sales for power generation** remained stable compared with last year.

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2.2. Sales outside Belgium and arbitrage sales: down by 13%

Sales outside Belgium and arbitrage sales were also down substantially, mainly due to reduced sales of liquefied natural gas (LNG). Note that during the same period last year Distrigas supplied 9 LNG cargoes to Spain, compared with only 5 supplied to energy companies in Europe during the first half of this year.

Sales to industrial consumers in France, however, continue to expand. Since January this year 7 customers have entrusted Distrigas with the supply of their sites, mainly in the North of France. Some of these customers were contributed by Energie du Rhône, which under the terms of a commercial agreement is responsible for marketing gas to customers consuming less than 250 GWh per year. Overall, sales by Distrigas in France should exceed 10 TWh in 2004, spread over 20 or sites in 2004.

Arbitrage sales on the Bacton and Zeebrugge gas markets were slightly down compared with last year.

For the second half of 2004 progress is expected in sales outside Belgium for pipeline gas as well as for LNG, offsetting most of the downturn seen in the first half.

3. Gas prices: parameter G stable despite increase in spot prices

Although gas prices on the spot markets increased significantly (19% on average compared with the first half of 2003), the parameter G (the reference for gas prices on the Belgian market) was down by 12% on average. In fact this parameter remained relatively stable throughout the first half of 2004, despite the increases in prices of petroleum products in the course of this year. Distrigas maintained its prices at a very competitive level for its customers, mainly thanks to its diversified long-term supply portfolio.

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4. Consolidated half-yearly results

4.1. Key figures

	Consolidated results (million EUR)		
	30/06/04	30/06/03	Variation
Net turnover	**1817**	**2162**	**-345**
Operating result	132	111	21
Financial result	5	7	-2
Current result	**137**	**118**	19
Extraordinary result	0	0	0
Result before taxes	**137**	**118**	**19**
Taxes	-44	-36	-8
Net result of companies consolidated by the equity method	1	1	0
Net income	**94**	**83**	**11**
Group's share in the result	93	82	11
Minority interests' share in the result	1	1	0

	Result per share (EUR)		
	30/06/04	30/06/03	Variation
Current consolidated result	194	169	+ 25
Distrigas's share	132	117	+ 15

4.2. Turnover

Natural gas sales generated € 1 737 million on 30 June 2004, accounting for 96% of the total.

The trend is downward compared with the first half of 2003, under the combined effects of lower sales volumes and lower prices to consumers.

T**ransit** activities posted a turnover of € 60 million, representing 3% of total turnover. This is slightly lower than in the first half of 2003, when gas exports from the UK to the continent through the Interconnector pipeline were at an exceptionally high level.

Finally, the **other activities** generated a turnover of € 20 million, slightly up compared with the situation on 30 June 2003. Note that the LNG carrier *Berge Boston* entered service at the end of January 2003 and so contributed to the result for only part of the first half of last year, whereas this year it generated income for the full 6 months.

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4.3. Operating result

The group's operating result is up by around € 21 million compared with the first half of 2003.

This was generated mainly by Distrigas S.A.

Despite the difficult competitive environment, Distrigas managed to maintain its operating margins thanks to the competitiveness of its diversified long-term purchasing portfolio, and at the same time succeeded in significantly reducing its other operating costs.

In making comparisons with the first half of 2003 it is necessary to take into account certain accounting effects that arose on 30 June 2003, as they explain most of the increase in the net result in 2004.
The relatively low level of spot prices on 30 June 2003 had a negative impact on the result for the first half of that year as this led to setting aside provisions and writing down the values of stock, as part of a prudent reporting of offtake commitments in a liberalized market.
As spot prices rose during the second half of 2003, these provisions and write-downs were written back at the end of that year, which contributed to the result for the second half of the year 2003.
During the whole of the first half of 2004 right up to 30 June the spot prices remained at a high level, and so it was not necessary to post write-downs or provisions in line with market prices.

The operating result made by Distrigas & C° is slightly down compared with the situation on 30 June 2003. This reflects the decreases in turnover, as the operating charges remained at the same level as during the previous period.

4.4. Financial result

The group's financial result was down slightly (by € -2 million) compared with the situation on 30 June 2003, mainly due to an exchange rate difference being posted in the accounts.

4.5. Taxes

The tax charge is up by around € 8 million compared with 30 June 2003, following the increase in the pre-tax result, the tax rate itself having remained stable compared with 30 June 2003.

4.6. Prospects for the result on 31 December 2004

Following the results for the first half of the year, the net consolidated result for 2004 as a whole should be higher than in previous years, without however reaching the exceptional level of 2003.

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4.7 Transition to IAS/IFRS (International Accounting Standards/International Financial Reporting Standards)

Pursuant to the European legislation on the application of international accounting standards, the consolidated financial statements of Distrigas for the period ending 31 December 2005 as well as the 2005 interim financial statements for the period ending 30 June 2005 will be published in accordance with IAS/IFRS together with a comparison with the 2004 results for the same periods restated on a comparable basis. The conversion of the financial reporting to IAS/IFRS is in progress and should be completed in time for a transition to the international standards in due time.

5. Belgian market further open to competition

Two new steps in the opening of the Belgian gas market were taken this year: on 4 January, all customers in Wallonia with a consumption of more than 12 GWh per year became eligible, as did non-residential customers in the Brussels and Walloon regions. This means that more than 90% of the Belgian market is now open to competition.
Under the timetable set by the Second Gas Directive, the gas market should be fully open to competition by 1 July 2007 at the latest.

6. Key events

6.1. Distrigas invests in second phase of Interconnector expansion

In the first quarter of 2004, Distrigas took part in the second investment phase for compression facilities in Zeebrugge, which will increase the import capacity of the Interconnector towards the UK market to 23.5 billion m³ per year in 2006. This will result in the company having a total capacity to the UK of 3.3 billion m³ per year, allowing it to play an active role on the UK market, which in the near future will become dependent on imports for its gas supply.

6.2. Distrigas reserves capacity of 2.5 billion m³ per year at Zeebrugge LNG terminal

On 6 July 2004, Distrigas and Fluxys LNG have signed a long-term contract for the reservation of LNG terminalling capacity. Under the agreement, Distrigas will have access to a capacity of 2.5 billion m³ per year – for a period of 20 years starting in 2007 – to unload and regasify LNG at the Zeebrugge terminal in order to ensure the long term supply with LNG on its market.

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6.3. Distrigas finalises price renegotiations with Sonatrach

In May 2004 the periodic price renegotiations with Algerian gas producer Sonatrach have been concluded setting out price terms and conditions until the end of the current contract in 2006 which take into account the current market conditions.

7. Auditor's report for the period ending 30 June 2004

We declare to have performed a limited audit of Distrigas's consolidated and non-consolidated half-yearly accounts as of 30 June 2004 in accordance with the standards and recommendations of the "Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren".

Our audit was primarily based on the analysis, comparison and review of the half-yearly financial information and was therefor not as extensive as a full audit of the annual accounts.

This limited audit did not reveal any areas requiring adjustments to Distrigas's half-yearly reports.

Antwerp, 25 August 2004
Deloitte & Touche Réviseurs d'entreprises S.C. s.f.d. S.C.R.L.
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Other languages
This report is also available in French and Dutch. It can also be consulted on our website: www.distrigas.be.

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