

# Financial statements consolidated

**Distrigas SA**

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## Consolidated balance sheet - assets

(in thousand euro)	Notes	Current Period	Previous Period	Variation
<b>NON CURRENT ASSETS</b>		<b>685,903</b>	<b>601,886</b>	<b>84,017</b>
Intangible assets	5	17	31	-14
Tangible assets	6-9	367,386	363,819	3,567
Associates accounted for according to the equity method	7	379	312	67
Finance lease receivables	8	168,632	185,285	-16,653
Holdings available for sale	7	97,000	43,698	53,302
Derivatives	31	47,866		47,866
Other non current assets	10	4,623	8,741	-4,118
<b>CURRENT ASSETS</b>		<b>2,138,021</b>	<b>1,570,654</b>	<b>567,367</b>
Inventories	11	172,783	99,493	73,290
Finance lease receivables	8	16,653	16,866	-213
Trade and other receivables	12	734,073	581,327	152,746
Tax receivables		14,137	2,541	11,596
Derivatives	31	224,788		224,788
Cash and cash equivalents	13	954,471	855,765	98,706
Other current assets	14	21,116	14,662	6,454
<b>TOTAL ASSETS</b>		<b>2,823,924</b>	<b>2,172,540</b>	<b>651,384</b>

## Consolidated balance sheet - liabilities

(in thousand euro)	Notes	Current Period	Previous Period	Variation
<b>EQUITY</b>		<b>991,198</b>	<b>842,303</b>	<b>148,895</b>
Share capital	15	66,228	66,228	
Other reserves		159,932	124,903	35,029
Retained earnings		753,292	633,610	119,682
Minority interests	16	11,746	17,562	-5,816
<b>NON CURRENT LIABILITIES</b>		<b>460,539</b>	<b>539,491</b>	<b>-78,952</b>
Provisions	17	29,585	114,367	-84,782
Pensions and similar benefits	18/19	5,426	4,706	720
Finance lease debts	8	184,264	204,908	-20,644
Other financial liabilities	20	67,162	76,120	-8,958
Deferred tax liabilities	21	124,514	139,390	-14,876
Derivatives	31	49,588		49,588
<b>CURRENT LIABILITIES</b>		<b>1,372,187</b>	<b>790,746</b>	<b>581,441</b>
Provisions	17	18,294	11,443	6,851
Finance lease debts	8	21,462	21,757	-295
Other financial liabilities	20	91,257	101,227	-9,970
Trade and other payables	19	954,967	639,893	315,074
Tax liabilities		12,998	12,968	30
Derivatives	31	268,475		268,475
Other current liabilities	23	4,734	3,458	1,276
<b>TOTAL LIABILITIES</b>		<b>2,823,924</b>	<b>2,172,540</b>	<b>651,384</b>

The enclosed notes are an integral part of this balance sheet.

## Consolidated income statement

(in thousand euro)	Notes	Current Period	Previous Period	Variation
<b>Turnover</b>	24	3,803,428	2,943,647	859,781
<b>Other operating income</b>	25	116,662	3,730	112,932
<b>Operating expenses</b>	26	-3,553,900	-2,641,002	-912,898
Supplies	26	-3,550,703	-2,582,533	-968,170
Personnel costs		-12,627	-10,724	-1,903
Depreciations	26/5/6	-21,458	-22,724	1,266
Impairment losses			-246	246
Other operating expenses	27	30,888	-24,775	55,663
<b>Current operating income (EBIT)</b>	28	366,190	306,375	59,815
<b>Investment income</b>	29	11,326	4,531	6,795
<b>Change in the fair value of the financing hedging derivatives on commodities</b>	31	-75,308		-75,308
<b>Change in the fair value of the financing hedging derivatives on the exchange rate and other risks</b>	31	-11,355		-11,355
<b>Financial income</b>	29	33,527	39,075	-5,548
Financial income from finance leases		13,149	14,253	-1,104
Gains on investments		20,378	24,822	-4,444
<b>Financial expenses</b>	30	-27,539	-42,141	14,602
Financial expenses from finance leases		-17,648	-17,612	-36
Expenses from other financial liabilities		-6,672	-6,471	-201
Other financial income/expenses	30	-3,219	-18,058	14,839
<b>Share in the net result of associates accounted for according to the equity method</b>	7	67	40	27
<b>Pre-tax earnings</b>		296,908	307,880	-10,972
<b>Tax charges on earnings</b>	22	-89,305	-96,747	7,442
<b>Profit or loss of the period</b>		207,603	211,133	-3,530
Share of minority shareholders		4,298	9,201	-4,903
Net earnings Group share		203,305	201,932	1,373
<b>Basic earnings per share (in EUR)</b>	35	289	287	2
<b>Diluted earnings per share (in EUR)</b>	35	289	287	2

The notes enclosed are an integral part of the income statement.



## Statement of changes in equity

(in thousand euro)	Share capital	Reserves	
		Share premium	Other reserves
<b>PREVIOUS PERIOD</b>			
Carrying amount as at 01/01/2004	66,228	41	124,862
Profit or loss of the period			
<b>Total income and expenses of the period</b>	<b>66,228</b>	<b>41</b>	<b>124,862</b>
Elimination of the share of third parties in the profit and loss of Finpipe			
Dividends paid			
Allocations to the other reserves			
<b>Carrying amount as at 31/12/2005 (1)</b>	<b>66,228</b>	<b>41</b>	<b>124,862</b>
Impact of IAS 32 and 39 on opening balance sheet 1/1/05 (2)			
<b>Carrying amount as at 01/01/2005</b>	<b>66,228</b>	<b>41</b>	<b>124,862</b>
<b>CURRENT PERIOD</b>			
Carrying amount as at 01/01/2005	66,228	41	124,862
Profit or loss of the period			
Change of perimeter: overall integration of Sofipar			29
Overall integration of Finpipe: rate change 56% → 63,3%			
Change in the fair value of the holdings available for sale			
Change in the fair value of the hedging instruments			
Other changes			
<b>Total income and expenses of the period</b>	<b>66,228</b>	<b>41</b>	<b>124,891</b>
Elimination of the share of third parties in the profit and loss of Finpipe (3)			
Dividends paid (4)			
Allocations to the other reserves			35,000
<b>Carrying amount as at 31/12/2005</b>	<b>66,228</b>	<b>41</b>	<b>159,891</b>

(1) The amount of 159,891 (124,862 as at 31/12/2004) given in the column "Other reserves" is broken down as follows:

Historical reevaluation on participating interest: 1,494 (1,494 as at 31/12/2004)

Legal reserves: 6,786 (6,757 as at 31/12/2004)

Untaxed reserves: 2,308 (2,308 as at 31/12/2004)

Available reserves: 149,303 (149,303 as at 31/12/2004)

(2) The Group has decided to adopt the IAS 32 and 39 standards as from 01/01/2005, in accordance with the IFRS 1. The adoption of these standards constitutes a change in accounting policies.

Reserves			To be attributed to the holders of equity of the parent company	Minority interests	Total
Reserve of holdings available for sale	Reserve associated with the hedging instruments	Retained earnings			
		533,082	724,213	16,611	740,824
		201,932	201,932	9,201	211,133
		<b>735,014</b>	<b>926,145</b>	<b>25,812</b>	<b>951,957</b>
		-101,404	-101,404	-2,546	-2,546
				-5,704	-107,108
		<b>633,610</b>	<b>824,741</b>	<b>17,562</b>	<b>842,303</b>
31,003	10,087		41,090	31	41,121
<b>31,003</b>	<b>10,087</b>	<b>633,610</b>	<b>865,831</b>	<b>17,593</b>	<b>883,424</b>
31,003	10,087	633,610	865,831	17,593	883,424
		203,305	203,305	4,298	207,603
		-539	-510		-510
		476	476	-2,318	-1,842
7,473			7,473		7,473
	9,588		9,588	-2	9,586
		90	90		90
<b>38,476</b>	<b>19,675</b>	<b>836,942</b>	<b>1,086,253</b>	<b>19,571</b>	<b>1,105,824</b>
		-106,801	-106,801	-2,122	-2,122
		-35,000		-5,703	-112,504
<b>38,476</b>	<b>19,675</b>	<b>695,141</b>	<b>979,452</b>	<b>11,746</b>	<b>991,198</b>

(3) This item includes the share of third parties (36.67%) in the profit and loss of the period of the subsidiary Finpipe EIG (5,786), which was distributed during this same period.

(4) The "minority interests" column includes the share of third parties in the profit and loss of the joint venture ETAC BV. As a reminder, the Group only receives 20% of the result of ETAC BV, despite its holding share of 75% in view of statutory provisions.

Direct charges into equity recognise the market revaluations of the participating interests available for sale and of the financing hedging derivatives.

## Consolidated cash flow statement

(in thousand euro)	Current Period	Previous Period
<b>Operating activities</b>		
Profit or loss of the period	207,603	211,133
Adjustments for:		
Dividends received	-11,326	-4,530
Interests paid	24,320	24,083
Interests received	-33,527	-36,643
Effect of exchange rate changes	-2,581	2,932
Taxes	89,305	96,747
Profit or loss of associates accounted for according to the equity method	-67	-40
Dividends of associates accounted for according to the equity method	0	0
Depreciations	21,458	22,724
Provisions	-77,211	7,685
Market value IAS 32/39	77,938	0
Reserve depreciation associated with hedging instruments	-2,680	0
Other changes	136	0
Gains on sales of assets	0	0
Impairment losses	0	246
<b>Operating cash flow before working capital change</b>	<b>293,368</b>	<b>324,337</b>
Inventory change	-73,290	12,392
Change in operating receivables	-349,997	-103,848
Change in operating liabilities	504,810	20,153
Change in direct taxation receivables	1,408	1,356
Taxes booked to the income statement and paid	-127,348	-47,633
<b>Taxes paid</b>	<b>-125,940</b>	<b>-46,277</b>
<b>Net cash flow of the operating activities</b>	<b>248,951</b>	<b>206,757</b>
<b>Investment activities</b>		
Acquisitions of tangible assets	-25,011	-928
Acquisitions of holdings available for sale	-17,355	-21,296
Sales of other non current assets	4,119	1,862
Sales of holdings available for sale	139	218
<b>Net cash flow of the investment activities</b>	<b>-38,108</b>	<b>-20,144</b>

## Consolidated cash flow statement (following)

(in thousand euro)	Current Period	Previous Period
<b>Financing activities</b>		
Dividends paid by the parent company	-106,801	-101,404
Dividends paid to third parties	-7,824	-8,250
Dividends received	11,326	4,530
Change in finance lease receivables	16,866	17,834
Change in finance lease debts	-20,940	-23,240
Interests paid	-24,320	-24,083
Interests received	33,527	36,643
Variation of the other financial liabilities	-18,929	-21,887
<b>Net cash flow of the financing activities</b>	<b>-117,095</b>	<b>-119,857</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>855,765</b>	<b>791,941</b>
<b>Effect of the change in exchange rates</b>	<b>2,581</b>	<b>-2,932</b>
<b>Change in the perimeter</b>	<b>2,377</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>954,471</b>	<b>855,765</b>

Details of the acquisition of the SA Sofipar (March 2005) are given in note 7.

The operating activities of the Distrigas Group generated cash flows of 248.95 million euro in the course of 2005.

Over the same period, net investments amounted to 38.11 million euro, on the one hand as a result of the purchase of the Methania and, on the other hand, following the completion of work that made it possible to extend its useful life, these having been activated in accordance with IAS 16, and on the other hand, as the result of the acquisition of Sofipar SA and the increase in the participating interest in Interconnector (UK) Ltd.

The negative change in financing cash flow (-117.10 million euro) mainly corresponds to the payment in May 2005 of the dividend of Distrigas SA for the 2004 period (106.80 million euro).

The impact of the exchange and perimeter changes on the Group's cash situation was limited.

Consequently, the Group's cash and cash equivalents amount to 954.47 million euro at the close of the period, which translates as an increase of 98.71 million euro compared with the previous period.

## Note 1

# Summary of significant accounting policies

### 1. DECLARATION OF COMPLIANCE AND BASIS OF PRESENTATION

Distrigas SA (hereafter referred to as “the Company”) is a company incorporated under Belgian law.

The consolidated financial statements include those of the Company, its subsidiaries, its associates, its jointly controlled entities and special purpose entities (all together referred to hereafter as “the Group”).

The consolidated financial statements are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted in the European Union.

IFRS is to be understood as all the standards (IAS – International Accounting Standards and IFRS) and interpretations (SIC – Standing Interpretations Committee and IFRIC – International Financial Reporting Interpretations Committee) issued by the IASB (International Accounting Standards Board) effective as at the reporting date, except as explained in the accounting policies.

Any choice by management bodies to anticipate the application of a standard – insofar this anticipation is authorised – is specifically mentioned in the accounting policies.

On the date on which the publication of the financial statements presented in this report was authorised, the following standards and interpretations have been published, but have not yet been adopted by the European Union:

- IFRS 6 (Exploration for and Evaluation of Mineral Assets)
- IFRS 7 (Financial Instruments Disclosures)
- IFRIC 5 (Rights to Interests Arising from Decommissioning, Restoration and Rehabilitation Funds)

- IFRIC 6 (Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment)
- IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies)
- IFRIC 8 (Scope of IFRS 2)

The adoption of the IFRS 7 standard will lead to a change, as from the financial year 2007, in the annexes relating to the financial instruments, which are published in the consolidated financial statements. The adoption of the other aforementioned standards will not impact the consolidated financial statements.

### Distrigas Reporting date

The consolidated financial statements are reported at 31 December, the reporting date of the Company’s accounts. When the reporting date of the financial statements of a subsidiary falls between 30 September and 31 December, its annual financial statements are used as they are.

However, if significant events or transactions take place between the reporting date of the financial statements of this subsidiary and the Company’s reporting date, a situation as at 31 December is prepared for consolidation purposes.

The same principle is used if the reporting date of the financial statements of a subsidiary is prior to 30 September.

The financial statements of all the companies included in the Group’s scope of consolidation are prepared based on uniform accounting and measurement policies.

The comparative amounts presented for the previous year are also based on the same accounting policies, unless stipulated otherwise.

## Presentation of the financial statements

In accordance with IAS 1 (Presentation of Financial Statement), the financial statements include an income statement, a balance sheet, a statement of changes in equity, a cash flow statement prepared in accordance with IAS 7 (Cash Flow Statements), and notes containing a summary of the significant accounting policies and other explanatory notes.

In the income statement, an analysis of the expenses is included and presented based on their nature.

In the cash flow statement, the cash flows from operating activities are presented using the indirect method.

## 2. FIRST ADOPTION OF THE IFRS

As a first-time adopter of the IFRS in 2005, the opening IFRS balance sheet was prepared on 1 January 2004 (i.e. on the date of transition to IFRS).

In accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards), the Group chose to use the following exemptions for the preparation of its first IFRS financial statements:

- The cumulative actuarial gains and losses are all recognised on the date of transition to IFRS. The "corridor" policy defined by IAS 19 (Employee Benefits) is used for the actuarial gains and losses generated after the date of transition to IFRS.
- IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) were not applied to the comparative information for the 2004 financial year. The financial instruments included within the scope of IAS 32 and IAS 39 are recognised in accordance with the Belgian accounting policies for the financial year 2004.

## 3. CONSOLIDATION PRINCIPLES

The subsidiaries are consolidated using the full consolidation method.

In accordance with IAS 27 (Consolidated and Separated Financial Statements), the term "subsidiary" is defined as an

entity for which the Company has the power to govern the financial and operational policies so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group has control until the control ends.

Special Purpose Entities (within the meaning of SIC 12 – Consolidation – Special Purpose Entities), which in substance are controlled by the Company, are also fully consolidated.

The equity method is used for associates.

In accordance with IAS 28 (Accounting for Investments in Associates), "associates" are entities over which the Company has either directly or indirectly significant influence and which are neither subsidiaries nor joint ventures.

'Significant influence' is defined as the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The equity method is applied from the date on which the significant influence begins until the date on which it ends.

The proportionate consolidation method is used for jointly controlled entities.

In accordance with IAS 31 (Financial Reporting of Interests in Joint Ventures), jointly controlled entities are entities established under a contractual arrangement where the Company undertakes an economic activity together with other parties subject to joint control.

The proportionate consolidation is used from the date the joint control begins until the date the Company ceases to have joint control.

Intragroup transactions, balances, income and expenses that are not realized are fully eliminated.

A list of the main subsidiaries, associates and jointly controlled entities is given in the notes to the consolidated financial statements (note 7).

## 4. TRANSACTIONS IN FOREIGN CURRENCIES

### Presentation currency

The consolidated financial statements are presented in euro, rounded off to the nearest thousand.

The euro is also the Group's functional currency as defined by IAS 21 (The Effect of Changes in Foreign Exchange Rates).

### Transactions in foreign currencies

Transactions in foreign currencies are recognised by applying the exchange rate at the date of the transaction.

Foreign currency monetary assets and liabilities are translated using the closing rate.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### Foreign operations

The financial statements of operations undertaken by the Group abroad are translated into euro in accordance with IAS 21.

As a result, assets and liabilities of the subsidiaries abroad are translated into euro at the closing rate, for all the periods presented.

Income and expenses of subsidiaries abroad and jointly controlled entities are translated into euro at exchange rates at the dates of the transactions (in general an average rate for the period is used, provided that exchange rates do not significantly fluctuate during the period).

Any resulting exchange values are recognised as a separate component of equity.

Equity items are translated at the historical exchange rate.

## 5. INTANGIBLE ASSETS

Intangible assets are recognised and measured in accordance with IAS 38 (Intangible Assets).

These recognition principles apply to intangible assets acquired from third parties, intangible assets generated internally, and subsequent expenditures to develop, partly replace or maintain an intangible asset.

Any other costs related to an intangible asset are recognised in profit or loss when incurred.

Intangible assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

To determine whether an intangible asset should be impaired, the Group applies IAS 36 (Impairment of Assets).

Straight-line depreciation is applied for intangible assets over a period that corresponds to their estimated useful life. Computer software is amortised over 5 years.

Depreciation of an asset begins when the asset is available for use and ceases at earlier of the date the asset is classified as held for sale and the date the asset is derecognised.

The depreciation period and the depreciation method are reviewed at least at each financial year-end.

## 6. PROPERTY, PLANT, AND EQUIPMENT

### Owned Property, Plant, and Equipment

Property, Plant and Equipment are recognised and measured in accordance with IAS 16 (Property, Plant and Equipment) at cost, less any accumulated depreciations and any accumulated impairment losses.

Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

When the different components of an asset have different useful lives or a different pattern in which the asset's future economic benefits are expected to be consumed by the company so that a different depreciation period and/or a different depreciation method is required, the asset's total cost is allocated amongst the different components and each component is accounted for separately.

These principles apply both to the initial and subsequent recognition of an asset.

Maintenance and repair costs that do not increase the future economic benefits that flow to the enterprise related to the asset are recognised in profit or loss as incurred.

Borrowing costs are capitalised in accordance with IAS 23 (Borrowing Costs).

They are consequently incorporated in the cost of the qualified asset when it is probable that they will generate future economic advantages and when they can be reliably measured.

Borrowing costs that do not respect these conditions are recognised in the profit and loss of the period during which they were incurred.

Depreciation of an asset starts when the asset is available for use, using the straight-line depreciation method and according to a rate corresponding to the estimated useful life of these assets.

In some exceptional cases, a method other than the straight-line depreciation is used if such method better reflects the profile of the economic depreciation of the asset.

The main useful lives applied by the Group are:

LNG carriers	40 years
Industrial buildings	20 years
Pipelines	30 to 50 years
Other facilities	5 to 45 years

The useful lives listed above are applied uniformly throughout the entire Group.

When the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss relating to this difference is recognised directly in accordance with IAS 36 (Impairment of Assets).

Gains or losses arising from the derecognition of an item of property, plant and equipment are included in the results of operating activities.

The useful life, the depreciation method and any residual value of property, plant and equipment are reviewed at least at each financial year-end.

## Assets held under finance leases

Property, plant and equipment also include assets held under finance leases in accordance with IAS 17 (Leases). In this regard, the Group has decided to follow the IFRIC recommendation by applying early the interpretation defining the scope of IAS 17 for agreements not taking the legal form of a lease contract (IFRIC 4 Determining whether an Arrangement contains a Lease).

The classification of lease contracts depends on the transfer of risks and rewards incidental to ownership of the asset. If substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, the arrangement is classified as a finance lease.

Assets held under finance leases by the Group are initially recognised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments based on the interest rate implicit in the lease. Subsequently, these assets are treated consistently with the assets that are owned (see above). Nonetheless, the depreciation period is limited by the term of the contract if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Lease payments are apportioned between the finance charge (allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability) and the reduction of the outstanding liability which, at initial recognition corresponds to the value of the asset.

## 7. PARTICIPATING INTERESTS AVAILABLE FOR SALE

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), participating interests in entities in which the Company has no control, joint control or significant influence are classified in the category of participating interests available for sale (see heading on Financial Instruments).

## 8. INVENTORIES

Inventories are measured in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value.

Inventories of natural gas are measured at average monthly purchasing costs. The weighted average cost method is applied in this particular case.

## 9. AMOUNTS RECEIVABLE – CASH AND CASH EQUIVALENTS

### Amounts receivable and other assets

Trade receivables are measured at their nominal value, less allowances for doubtful debts. The other current assets are measured at their nominal value, less allowances for identifiable risks. Allowances are recognised in profit or loss of the financial year in which they are identified. Additional allowances for doubtful debts are exercised in order to take into account either the evolution of the realization value, or unknown factors justified by the nature of the assets in question or the activity carried out.

### Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which have an initial maturity of less than three months and which are subject to an insignificant risk of changes in value. Cash, cash equivalents and short-term deposits are recognised in the balance sheet at their nominal value.

## 10. CAPITAL

This heading includes the issued share capital, represented by shares falling under categories A, B, C and D.

## 11. RESERVES AND UNDISTRIBUTED EARNINGS

This heading includes retained earnings which are not distributed by the Company and its consolidated subsidiaries. Dividends are actually recognised as a liability in the period in which they are declared. This heading also includes changes in equity which did not affect the profit or loss of the period, mainly due to the accounting recognition of the financial assets available for sale and of the derivative financial instruments.

## 12. PROVISIONS

In accordance with the principles of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are recognised when one of the Group companies has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when the amount of this obligation can be reliably estimated. Provisions are therefore recognised in the balance sheet at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Estimates are determined by the judgement of the Company's management supplemented by experience of similar transactions. In certain cases, the Group will use reports from independent experts.

Events occurring after the balance sheet date are taken into account. Where the effect of the time value of money is significant, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 13. EMPLOYEE BENEFITS

The company has obligations regarding pension plans, terminations and other employee benefits. These obligations generally apply to all employees.

The obligations regarding pension plans are calculated according to the principle of IAS 19 (Employee Benefits).

The cost of defined contribution plans is expensed when the contribution becomes payable. For defined benefit plans, the amounts of these pension and similar obligations are recognised and measured based on actuarial calculations. These calculations integrate assumptions about mortality, employee turnover and future salaries taking economic conditions into account. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds (or on government bonds if there is no market for private bonds). Actuarial gains and losses regarding defined benefit liabilities are only recognised when they exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan assets at that date. The portion of actuarial gains and losses exceeding 10% is then deferred over the expected average remaining working lives of the employees participating in that plan. The amount recognised as a defined benefit liability shall be the net total of the present value of the defined benefit obligation at the balance sheet date.

### 14. TRADE AND OTHER PAYABLES

Trade and other payables are measured at their nominal value.

### 15. CURRENT TAX AND DEFERRED TAX

The income tax expense for the financial year includes the current tax and any deferred tax.

#### Current tax

Current tax is the amount of income taxes payable in respect of the taxable profit (tax loss) for a period and any adjustment to taxes paid or recovered relative to previous years.

Current tax expenses are recognised in the income statement. The amount of the current taxes payable or receivable is recognised as a receivable or payable, as appropriate.

#### Deferred tax

Deferred taxes are treated in accordance with the liability method in accordance with IAS 12 (Income Taxes) for all temporary differences between the tax base of assets and liabilities and their carrying amount in the financial statements, irrespective of the time required for these differences to cease to exist. The amount of any deferred taxes is presented as non-current assets and non-current liabilities.

### 16. EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date ("Adjusting Events") lead to adjustments of the amounts recognised in the financial statements.

Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date ("Non-Adjusting Events") are described in the notes when they are material.

### 17. FINANCIAL INSTRUMENTS

#### 17.1 General principles

Within the framework of its current activities, the Group has various financial instruments at its disposal such as defined by IAS 32 and IAS 39 to manage certain risks with which DISTRIGAS has to contend.

These financial instruments are centrally managed by a Risk Management Committee (hereinafter referred to as "the Committee") in line with the objectives and principles defined by management.

The Committee hence manages the following types of risk:

#### **17.1.1. Exchange risk**

To reduce the effect of exchange rate fluctuations, the projected foreign currency cash flows are hedged by future contracts.

#### **17.1.2. Interest rate risk**

General guidelines are applied in order to hedge interest rate risks. These guidelines make provision for the hedging of interest due on loans by using interest rate swaps (IRS) and caps.

#### **17.1.3. Market risk**

Since the Group is active on the commodity market, it is exposed to financial risks resulting from fluctuations in the prices. The Group uses derivative instruments - within the limits fixed by the Committee - in order to control the impact of price fluctuations on its income statement.

This hedging policy does not simply relate to the position in terms of the sale and purchase of gas but also to commodities and other factors to which the price of gas is indexed.

#### **17.1.4. Credit risk**

The Group, primarily in its arbitrage transactions, is exposed to credit risks on counterparties in these transactions.

To limit this exposure, the Committee defines general and individual credit limits for the amounts engaged in arbitrage transactions.

### **17.2 Financial assets excluding derivatives**

Financial assets, with the exception of derivative instruments dealt with below, are initially measured at adjusted fair value, for financial assets carried at amortised cost, transaction costs.

Held-to-maturity financial assets as well as loans and amounts receivable are subsequently measured at amortised cost using the effective interest rate method.

Assets available for sale and those held for trading are subsequently carried at fair value with no reduction for transaction costs. However, equity securities classed as assets available for sale which are not quoted on an active market and the fair value of which cannot be determined reliably

using an alternative method, are subsequently measured at cost.

Variations in the fair value of financial assets available for sale are directly recognized in equity. Variations in the fair value of assets held for trading are recognised in the income statement.

### **17.3 Financial liabilities excluding derivatives**

Financial liabilities, with the exception of derivative instruments dealt with below, are initially recognised at fair value, less the transaction costs incurred.

During subsequent financial years, the financial liabilities are recognized at amortised cost using the effective interest rate method. According to this method, any difference between the income received (less the transaction costs) and the reimbursement value is recognised in the financial result for the duration of the debt.

### **17.4 Hedge accounting and derivative instruments**

#### **17.4.1. Hedge accounting**

The Group uses derivative financial instruments to hedge its exposure to exchange risks, interest rate risks and risks resulting from commodity contracts concluded for its operating, financial and investment activities. When the Group subscribes this kind of derivative financial instrument, it identifies them as being either:

- A hedging instrument for the fair value of an asset or liability (fair value hedge).
- A hedging instrument for the cash flow linked to an asset or liability (cash flow hedge).

For the Group to acknowledge a derivative financial instrument as a hedging instrument, the following conditions must be met:

- The hedging relationship is formally designated and documented and;
- The hedging relationship is highly effective in compensating the variations of fair value or cash flow which can be attributed to hedged risks in accordance

with the Group's general risk management policy. The hedging relationships which are designated in this way are documented as soon as they enter into force and the hedging effectiveness can be measured reliably. Finally, the effectiveness of the hedging relationship is measured on a continuous basis.

#### Fair value hedges

Fair value hedges hedge the risk of variation in the fair value of assets and liabilities recognised in the balance sheet. In this type of hedge, both the hedged item and the hedging instrument are measured at fair value. The variations in fair value are recognised directly in the income statement. As soon as a hedging relationship ceases to be effective, hedge accounting related to this is terminated.

#### Cash flow hedges

The purpose of cash flow hedges is to reduce the risk of variation in cash flow linked to assets and liabilities recognised in the balance sheet to a projected transaction which is highly likely or to firm commitments which have not been recognised. Variations in fair value resulting from cash flow hedges are recognised in the reserve linked to hedging instruments included in share capital and reserves. Consequently, this amount is transferred to the result in the financial year during which the hedged item affects the result. The ineffective part of the hedging relationship is immediately transferred to the income statement.

As soon as the hedging relationship ceases to be effective, hedge accounting related to this is terminated and the amounts transferred to the reserve linked to hedging instruments are held there until the hedged transaction is recognised in the income statement.

### 17.4.2. Derivative instruments for non-hedging purposes

It is possible that the Group subscribes derivative financial instruments which despite hedging a specific risk in an economic manner do not respect the strict criteria for the application of hedging accounting under IAS 39. Variations in the

fair value of such instruments are directly recognised in the income statement.

### 17.4.3. Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. The embedded derivative modifies some of the cash flows in the combined contract in a similar way to a stand-alone derivative.

If however, the economic characteristics and the risks linked to embedded derivatives are not intrinsically linked to those included in the non-derivative host contract, the embedded derivative is recognised in the balance sheet as a derivative instrument at fair value and the variations in fair value are recognised in the income statement. If it is not possible to measure the fair value of the embedded derivative independently of the host contract, the whole contract is recognised at fair value in the balance sheet and the variations in fair value are recognised in the income statement in accordance with IAS 39.

## 17.5 Contracts for the sale or purchase of non-financial assets

The Group's activity frequently requires it to conclude transactions for the sale and purchase of gas. These transactions are concluded and maintained with a view to receiving or supplying gas according to the Group's needs in terms of purchase, sale or own use and are covered by the Group's volume risk management policy. Consequently, in principle these contracts are excluded from the scope of application of IAS 39 (own-use).

## 18. REVENUE RECOGNITION

Revenue is recognised when it is probable that future economic benefits will flow to the company and that these benefits can be measured reliably.

Revenue from sales of goods is recognised once received and when the transfer of the risks and benefits has been completed.

In application of IAS 18 "Revenue" and et IAS 1 (Presentation of Financial Statements), the results generated by certain transactions are presented net in turnover when the sale contracts concerned could be offset by similar purchases or if the sale contracts are part of exchange strategies.

In other cases, the gross results are presented in "Turnover" and "Provisions".

To determine its turnover the company uses direct metering with most of its large customers plus consumption estimates for segments where meter reading is done annually.

This situation is not new, but market deregulation has made it more complex to the extent that networks are now managed by several different operators at national and regional level.

As a result, the company depends on volume allocations from the various network operators, which leads to greater uncertainty than in the past.

Appropriate measures are currently being implemented to minimise this risk. Moreover, the complete opening up of the market and the experience gained by network operations since the start of deregulation should help to bring the situation back to normal.

Interest revenue is recognised on a time-proportion basis in order to reflect the effective yield of the asset.

Royalties are recognized on an accruals basis in accordance with the substance of the relevant agreement.

Dividend revenue is recognized when the shareholders' right to receive the dividend is established.

## 19. SUBSCRIPTION PLANS AND SHARE PURCHASES

In accordance with IFRS 2 'Share-based Payment', the Group recognizes as share-based payment only the plans for options under equity issued after 7 November 2002 and that have not yet been vested at 1 January 2005. For the other plans, please refer to the notes.

As far as these payments only concern the personnel and are paid in the form of options, the Group recognizes the fair value of the options under equity under personnel expenses over the period of the acquisition of the rights with a direct compensation under equity.

The fair value of the options is measured by the Group on the date on which they are granted using the binomial measurement model. This model allows to take into account the characteristics of the plan (price of the financial year, period of the financial year), the market data at the time of attribution (risk-free rate, share price, volatility, expected dividends) as well as the behavioural assumptions of the beneficiaries.

## Note 2

# First adoption of the IFRS

### 1. INTRODUCTION

Under EU Regulation 1606/2002 dated July 19, 2002, as from the financial year 2005, Distrigas is required to prepare its consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) as endorsed in the European Union.

As this reporting date of Group's first IFRS financial statements is the 31 December 2005, an opening IFRS balance sheet was prepared at 1 January 2004 (date of transition to IFRS).

For the preparation of the opening balance sheet at 1<sup>st</sup> January 2004, Distrigas decided to adopt the following exemptions provided by IFRS 1 (First-time Adoption of IFRS):

- Recognition of all cumulative actuarial gains and losses at the date of transition to IFRS.
- IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) have not been applied for the preparation of the 2004 financial statements. Consequently, Belgian GAAP was applied to the financial instruments within the scope of these standards for the preparation of the 2004 financial statements. The application of these standards as from the 2005 financial statements and its consequences is the subject of another comment below.

Furthermore, for the preparation of the comparative of the financial statements at 31 December 2004, Distrigas had decided to follow the recommendation of the IFRIC (International Financial Reporting Interpretations

Committee) by the early application of IFRIC 4 (Determining whether an Arrangement contains a Lease).

IFRIC 4 was adopted by the European Union in 2005.

Based on the principles mentioned above, the paragraphs below provide the following quantified information:

- Reconciliations between equity reported under Belgian GAAP and equity under IFRS as endorsed in the European Union, as at 1 January 2004 and 31 December 2004
- Reconciliation of the net profit or loss for the 2004 financial year presented under Belgian GAAP and that under IFRS as endorsed in the European Union.
- Comparison between the balance sheet as at 31 December 2004 presented under Belgian GAAP and the balance sheet under IFRS on the same date.
- Comparison between the 2004 income statement reported under Belgian GAAP and the income statement of the same financial year under IFRS as endorsed in the European Union.
- Reconciliation of the equity as at 31 December 2004 under IFRS but before the application of the standards relating to the financial instruments (IAS 32 and IAS 39) and of the equity as at 1<sup>st</sup> of January 2005 under IFRS after the application of these standards.

## 2. IMPACT OF THE TRANSITION FROM BELGIAN GAAP TO IFRS

### 2.1. Reconciliation of equity at the date of the transition to IFRS (01/01/2004)

Based on the requirements of IFRS 1 (First-time Adoption of IFRS), the consolidated financial statements as at 31 December 2003 reported under Belgian GAAP were restated for the preparation of the opening IFRS balance sheet as at 1 January 2004.

In accordance with IFRS 1, the adjustments resulting from application of the new GAAP were recorded in the opening equity as at 1 January 2004.

As a result, total equity (including minority interests) at the end of 2003 increases from 346.23 million euro to 740.50 million euro.

This increase of 394.27 million euro is detailed in the reconciliation table and the related explanatory notes below.

Each adjustment is presented before taking into account the impact of deferred taxes, the total effect of which is explained separately.

	(in million euro)
<b>Total Equity (including minority and after distribution) under Belgian GAAP on 31/12/2003</b>	<b>+346.23</b>
<b>Adjustments</b>	
Property, plant and equipment (owned by the entity)	+40.84
Property, plant and equipment (under finance lease)	+60.39
Inventories	+4.36
Provisions	+198.27
Pensions and similar employee benefits	-3.54
Deferred tax liabilities	-141.28
Other current liabilities	+129.78
Other adjustments	+4.05
Dividends	+101.40
<b>Total Equity (including minority interests) under IFRS on 1/1/2004</b>	<b>+740.50</b>

The increase of 394.27 million euro as compared to the amount under Belgian GAAP is explained as follows:

- Adjustment with a positive impact on equity of 40.84 million euro in relation with the Berge Boston LNG carrier, for which the depreciation was restated in accordance with IAS 16 (Property, Plant, and Equipment):
    - depreciation beginning on the date that the LNG carrier is available for use;
    - consideration of a residual value to determine the depreciable amount;
    - allocation of the depreciable amount over the useful life of the LNG carrier (estimate based on a study relying on the economic substance and the practice of companies active in the sector, i.e. 40 years);
    - depreciation of the dry docking component over its own useful life;
    - use of the straight-line method.
  - Adjustment with a positive impact on equity of 60.39 million euro, due to the recognition of assets held under finance leases - and the corresponding liabilities - in accordance with IAS 17 (Leases) as interpreted by IFRIC 4 (Determining whether an Arrangement contains a Lease).  
The assets concerned are the LNG carrier-type ships and transit assets (Zeebrugge-Blaregnies and rTr pipelines), with a respective impact of 5.18 million euro and 55.21 million euro.  
These pipelines owned by the subsidiary Finpipe are initially transferred to the company Fluxys under finance leases according to IAS 17 (note that only the rTr pipeline is classified as a finance lease under Belgian GAAP).
- Based on agreements that are leases (IFRIC 4) between the company Fluxys and the subsidiary Distrigas & Co, these two transit assets are then accounted for as finance leases by the Group in accordance with IAS 17.
- Adjustment due to the substitution of the LIFO cost formula applied under the Belgian GAAP for the evaluation of inventories of natural gas, by the weighted average cost (WAC) formula, with a positive impact of 4.36 million euro on equity.
  - Derecognition of certain provisions recognised under previous GAAP (Belgian and Luxembourgian) which are not allowed under IAS 37 (Provisions, Contingent Liabilities, and Contingent Assets) and, in case of significant impact, use of the present value of the expenditure expected to be required to settle the obligations, generating a positive overall impact of 198.27 million euro on equity.  
These provisions can be allocated between Distrigas SA, up to 52.45 million euro, and Distri Re SA, up to 145.82 million euro.
  - In accordance with IAS 19 (Employee Benefits), valuation of the pension and similar obligations based on salaries projected to the retirement date, rather than current salaries, with a negative impact of 3.54 million euro on equity.
  - Recognition and measurement of deferred taxes in accordance with IAS 12 - Income taxes, with a negative impact on equity of 141.28 million euro.
  - Derecognition of elements that do not meet the definition of a liability under IFRS, with a positive impact of 129.78 million euro on equity.
  - Reclassification of the dividends declared in 2003, which cannot be presented as a liability on the balance sheet date in accordance with IAS 10 (Events after the Balance Sheet Date), and are therefore transferred to retained earnings, resulting in a positive impact of 101.40 million euro.
  - Miscellaneous adjustments, essentially due to changes in the scope of consolidation, positively affecting equity for an amount of 4.05 million euro.

## 2.2. Reconciliation of equity on 31 December 2004

	(in million euro)
<b>Total Equity (including minority interests and after distribution) under Belgian GAAP on 31/12/2004</b>	<b>443.72</b>
<b>Adjustments</b>	
Property, plant and equipment (owned)	+48.07
Property, plant and equipment (under finance leases)	+66.20
Inventories	+12.23
Provisions	+208.29
Pensions and similar employee benefits	-4.70
Deferred tax liabilities	-139.39
Other current liabilities	+97.32
Other adjustments	+3.76
Dividends	+106.80
<b>Total Equity (including minority interests) under IFRS on 31/12/2004</b>	<b>+842.30</b>

The analysis of total equity (i.e. capital, reserves and minority interests) as at 31 December 2004 shows an increase from 443.72 million euro reported under Belgian GAAP to 842.30 million euro under IFRS, i.e. an increase of 398.58 million euro (392.48 million euro in capital and reserves and 6.10 million euro in minority interests).

The main components of this increase are:

- the change in the depreciation of the Berge Boston LNG carrier, with a positive impact of 48.07 million euro;
- the recognition of assets held under finance leases - with the corresponding liabilities - with a positive overall impact on equity of 66.20 million euro;
- the change of cost formula for the measurement of stocks of natural gas, generating a positive impact of 12.23 million euro;
- the recognition and measurement of provisions in accordance with IAS 37 (Provisions, Contingent Liabilities, and Contingent Assets), generating an overall positive impact of 208.29 million euro on equity;
- the effect of the application of IAS 19 (Employee Benefits) with a negative impact of 4.70 million euro;
- the calculation of deferred taxes on the temporary differences between the tax base of assets and liabilities and their carrying amount in the company financial statements, leading to the recognition of deferred tax liabilities for an amount of 139.39 million euro;
- derecognition of certain elements that do not meet the criteria for recognition as a liability under IFRS, with a positive overall impact of 97.32 million euro on the capital and reserves;
- the inclusion in retained earnings of dividends declared for 2004 for an amount of 106.80 million euro;
- miscellaneous: other adjustments with an overall positive impact of 3.76 million euro.

### 2.3. Reconciliation of the profit (including the minority interests) reported under Belgian GAAP with the profit under IFRS for the 2004 financial year

	(in million euro)
<b>Net Profit</b>	<b>206.83</b>
<b>Adjustments</b>	
Property, plant, and equipment (owned)	+7.23
Property, plant, and equipment (under finance leases)	+5.81
Inventories	+7.87
Provisions	+10.03
Pensions and similar employee benefits	-1.16
Deferred tax liabilities	+1.89
Other current liabilities	-32.46
Other adjustments	+5.10
<b>Net Profit under IFRS</b>	<b>+211.14</b>

The impact of the IFRS adjustments on the net profit for the 2004 financial year stems primarily from the aforementioned adjustments recognised on 1 January 2004.

**Owned Property, Plant, and Equipment:** the net result was positively influenced by the reduction in the depreciation cost relating to the Berge Boston LNG carrier as a result of the extension of its useful life, the use of the straight-line method and the consideration of a residual value, up to 7.23 million euro.

**Property, Plant, and Equipment under finance leases:** the classification of lease arrangements (or similar agreements) as finance leases under IFRS has a positive impact on the net result of 5.81 million euro.

**Inventories:** the positive impact is due to the change of evaluation method (from LIFO to WAC) in the context of a price increase of natural gas.

**Provisions:** the positive impact on the net result is due to the derecognition of provisions recognised by the subsidiary Distri Re SA under the Luxemburgian GAAP and the updated recognition of some of the company's provisions.

**Deferred tax assets and liabilities:** the systematic review of temporary differences leads to a positive overall impact of 1.89 million euro.

**Other current liabilities:** the negative impact on the net result is linked to the cancellation of the decrease of liabilities not recognised as such under IFRS.

#### 2.4. Reconciliation between equity under IFRS at 31 December 2004 (before IAS 32 and IAS 39) and equity under IFRS as at 1 January 2005 (after IAS 32 and IAS 39).

On the basis of measures set out in IFRS 1 (First time Adoption of IFRS), the consolidated financial statements, closed under IFRS on 31 December 2004, were restated on 1 January 2005 in order to prepare the opening balance sheet using the standards relating to financial instruments: IAS 32 and IAS 39.

Again under IFRS 1, the adjustments made as a result of the application of these standards were recorded in the Reopening equity on 1 January 2005.

Total IFRS equity (including minority interests) increased from 842.30 million euro at the 2004 year-end closing to 883.42 million euro on 1 January 2005.

The breakdown of this increase of 41.12 million euro is provided below in a reconciliation table along with explanatory notes.

Each adjustment is presented before the impact of deferred taxes has been taken into account. The total impact of deferred taxes is explained separately.

	(in million euro)
<b>TOTAL EQUITY under IFRS on 31/12/2004</b>	<b>842.30</b>
<b>Assets</b>	
Commodity derivatives	+69.09
Currency derivatives	+26.10
Interest rate derivatives	+0.04
Participating interests available for sale	+31.00
Differed tax (assets)	+27.16
<b>Liabilities</b>	
Commodity derivatives	+57.02
Interest rate derivatives	+0.33
Imbedded derivatives	+22.56
Differed tax (liabilities)	+32.36
<b>TOTAL EQUITY under IFRS on 31/12/2005</b>	<b>883.42</b>

Please refer to point 17 'Financial instruments' of Note 1 'Summary of significant accounting methods' for any questions on terminology used in this document.

- In accordance with the instructions laid out in IAS 39, instruments referred to commodity derivatives have been measured and recognised at fair value of 69.09 million euro on the assets side and 57.02 million euro on the liabilities side according to whether the fair value was positive or negative. The net impact of these operations hence represents an increase in equity of 12.07 million euro. These instruments were not valued on 31 December 2004 under the Belgian GAAP.
- The derivative instruments for currency hedging increased equity by 26.1 million euro. They have been measured and recognised at their fair value in accordance with IAS 39. They were not valued under the Belgian GAAP on 31 December 2004.
- The derivative instruments for interest rate hedging have been valued and recognised at fair value on the assets side for 0.04 million euro and on the liabilities side for 0.33 million euro according to whether the fair value was positive or negative. The net impact of these operations

hence represents a decrease in equity of 0.29 million euro. These instruments were not valued under the Belgian GAAP on 31 December 2004.

- Participating interests qualified as 'available for sale' have been valued at fair value in accordance with IAS 39. This represents an increase in equity of 31 million euro as at 1 January 2005. Under the Belgian GAAP, these shares are recognised in the balance sheet at cost of 43.5 million euro.
- In accordance with IAS 39, embedded derivatives in gas sales contracts concluded by Distrigas were recognised at fair value. This operation generated a negative impact of 22.56 million euro on the equity of Distrigas. Embedded derivatives were not valued under the Belgian GAAP on 31 December 2004.

## Note 3

# Major transactions

### February - Distrigas and RasGas (II) concluded a 20 year agreement to supply LNG

As from 2007, Distrigas will import around 2.75 billion cubic metres per annum (or approximately 2.05 million tons of LNG) of natural gas from Qatar to the LNG terminal in Zeebrugge over a 20 year period.

### March - Increase in the participating interest in Finpipe EIG

Distrigas acquired Sofipar SA from Belgian Shell. Sofipar is a member of the Finpipe EIG. The participating interest of Distrigas in the latter thus increases from 56% to 63.33%.

### March and June - Increase in the participating interest in Interconnector (UK) Ltd.

By exercising its pre-emptive rights, in the course of two transactions, Distrigas increased its participating interest from 10 to 16.4%. At the beginning of March, Distrigas finalised the formalities relating to the 4% acquired at the end of 2004. In June Distrigas acquired an additional interest of 2.4%.

### June - Acquisition of the Methania

Distrigas acquired the Methania from the company Exmar. This gas carrier will continue to play an important role in Distrigas' LNG (Natural Liquid Gas) supply strategy. This transaction allows it to reinforce its presence in the LNG transport sector and will give it the possibility to seize the commercial opportunities offered by this activity.

### November - Expansion of Interconnector IUK

The compression installation that entered into service in Zeebrugge one month ahead of schedule brings the exporting capacity of Interconnector to the British market from 8.5 to 16.5 billion cubic metres per annum.

## Note 4

# Sector information

### INTRODUCTION OF SECTOR INFORMATION

The first level of sector information is organised per geographical area, on the basis of the location of its clients. The second level of segmentation reported highlights the Group's sectors of activity (gas sales, transit, others).

This segmentation comes from the fact that the Group's yield and risk profile is mainly determined by its activities in the "Belgium" and "Others" areas.

The "Belgium" area in fact covers the Group's domestic markets on which it has been historically present and will continue to play an important role.

On the other hand, the "Others" area covers markets outside Belgium on which the Group intends to grab the growth opportunities offered by developments in the European regulatory framework.

The second level of sector information is based on the sectors of activities broken down between: "Gas sales" with its three large client segments (Distribution companies and resellers, Direct industrial clients, Electricity production), "Transit" and the "Others" activities.

## CURRENT PERIOD

### Primary segmentation: geographical

(in thousand euro)	Belgium	Others	Consolidated
<b>Total External Revenue</b>	<b>2,972,428</b>	<b>831,000</b>	<b>3,803,428</b>
<b>Segment result</b>	<b>232,342</b>	<b>162,948</b>	<b>395,290</b>
Unallocated revenues			3,100
Unallocated corporate expenses			-32,200
Profit from ordinary activities			366,190
Interest expense			-27,539
Interest income			44,853
Fair value adjustments			-86,663
Share of net profits of associates			67
Income taxes			-89,305
Profit from ordinary activities			207,603
<b>Net result</b>			<b>207,603</b>

	Belgium	Others	Non Allocated	Consolidated
<b>Other information</b>				
Segment assets	1,368,980	414,710	1,039,855	2,823,545
Investments in equity method associates		379		379
<b>Consolidated assets (1)</b>	<b>1,368,980</b>	<b>415,089</b>	<b>1,039,855</b>	<b>2,823,924</b>
Segment liabilities	92,482	199,864	1,540,379	1,832,726
Capital expenditures (2)	42,366			42,366
Depreciations	19,409	2,049		21,458
Non-cash expenses other than depreciations	-81,414			-81,414

- (1) The assets of Transit rTr and Troll (border-to-border pipelines) are assets that are physically situated on Belgian territory but, according to the geographical location of the clients, they have been allocated to the "others" segment for an amount of respectively 180.5 million euro and 72.0 million euro.
- (2) Includes the increase in the participating interest in Interconnector IUK, a significant asset in which Distrigas also leases capacities amounting to 17.36 million euro.

The assets and liabilities allocated to the various geographical sectors include: all of the fixed assets, inventories and receivables as well as certain provisions and trade payables relating to a specific segment. They are allocated according to the geographical location of the customers.

All the other assets and liabilities that are not allocated to the geographical sectors are presented as unallocated assets and liabilities.

## Secondary segmentation: by business

(in thousand euro)	Gas sales				Transit	Others/Non allocated	Total
	Resellers	Industry	Power plants	Arbitrage			
<b>Total External Revenue</b>	1,441,055	1,133,309	736,033	335,537	113,423	44,071	3,803,428
<b>Assets</b>	509,764	434,334			329,202	1,550,624	2,823,924
<b>Capital expenditure</b>						42,366	42,366

## PREVIOUS PERIOD

## Primary segmentation: geographical

(in thousand euro)	Belgium	Others	Consolidated
<b>Total External Revenue</b>	2,439,218	504,429	2,943,647
<b>Segment result</b>	241,870	113,443	355,313
Unallocated revenues			4,032
Unallocated corporate expenses			-52,970
Profit from ordinary activities			306,375
Interest expense			-42,141
Interest income			43,606
Share of net profits of associates			40
Income taxes			-96,747
Profit from ordinary activities			211,133
<b>Net result</b>			211,133

	Belgium	Others	Non Allocated	Consolidated
<b>Other information</b>				
Segment assets	1,084,697	409,723	677,807	2,172,228
Investments in equity method associates		312		312
<b>Consolidated assets (1)</b>	<b>1,084,697</b>	<b>410,036</b>	<b>677,807</b>	<b>2,172,540</b>
Segment liabilities	411,079	258,097	661,061	1,330,237
Capital expenditures (2)	22,224			22,224
Depreciations	20,724	2,000		22,724
Non-cash expenses other than depreciations	-3,373			-3,373

- (1) The assets of Transit rTr and Troll (border-to-border pipelines) are assets that are physically situated on Belgian territory but, according to the geographical location of the clients, they have been allocated to the "others" segment an amount of respectively 189.7 million euro and 76.3 million euro.
- (2) Includes the increase in the participating interest in Interconnector IUK, amounting to 21.9 million euro

## Secondary segmentation: by business

(in thousand euro)	Gas sales				Transit	Others/Non allocated	Total
	Resellers	Industry	Power plants	Arbitrage			
<b>Total External revenues</b>	<b>1,251,007</b>	<b>780,234</b>	<b>636,108</b>	<b>117,371</b>	<b>115,388</b>	<b>43,539</b>	<b>2,943,647</b>
<b>Assets</b>	<b>411,405</b>	<b>260,564</b>			<b>466,614</b>	<b>1,033,957</b>	<b>2,172,540</b>
<b>Capital expenditure</b>						<b>22,224</b>	<b>22,224</b>

In the course of 2005, Dstrigas generated a consolidated turnover of 3,803.43 million euro compared with 2,943.65 million euro during the previous period, which translates as an increase of 859.78 million euro or 29.2%.

This increase can be explained in particular by the increase in the average price of natural gas compared with 2004 (+ 26.6%) triggered by the sharp increase in the prices of oil and gas products.

Sales in Belgium show an overall improvement of 533.21 million euro (+ 21.8%) compared with 2004 and amount to

2,972.43 million euro. This increase can be explained however largely by the increase in the sale price of gas. Without this impact, sales are down, mainly due to the particularly clement weather conditions and the effect of competition.

As far as sales outside Belgium are concerned, the turnover is up by 326.57 million euro (+ 64.7%) taking them to 831.0 million euro. Beyond the evolution of the average sale prices, this evolution above all reflects the significant increase of Dstrigas sales in France, as well as the opportunities for the sale of NLG cargos seized in 2005.

## Note 5

# Intangible assets

(in thousand euro)	Computer software	
	Current Period	Previous period
<b>ACQUISITION VALUE</b>		
As at 1 <sup>st</sup> of January	68	68
Acquisitions		
Sales and withdrawals		
Transfers		
First consolidation		
Outside the consolidation perimeter		
Translation differences		
<b>As at 31<sup>st</sup> of December</b>	<b>68</b>	<b>68</b>
<b>DEPRECIATIONS AND IMPAIRMENT LOSSES</b>		
<b>Method</b>	<b>linear</b>	<b>linear</b>
<b>Estimated useful life (in years)</b>	<b>5</b>	<b>5</b>
As at 1 <sup>st</sup> of January	37	23
Depreciations of the period	14	14
Impairment losses		
Sales and withdrawals		
Transfers		
First consolidation		
Outside the consolidation perimeter		
Conversion differences		
<b>As at 31<sup>st</sup> of December</b>	<b>51</b>	<b>37</b>
<b>NET CARRYING AMOUNT AS AT 31<sup>ST</sup> OF DECEMBER</b>	<b>17</b>	<b>31</b>

The change in the net carrying amount can be explained by the depreciation provision for the period.

## Note 6

# Tangible assets

(in thousand euro)	Current Period				Total
	Gas carriers under ownership	Gas carriers under a finance lease	Pipelines under a finance lease	Other tangible assets	
<b>ACQUISITION VALUE</b>					
As at 1 <sup>st</sup> of January	82,612	187,807	345,745	8,477	624,641
Acquisitions	25,011				25,011
Sales and withdrawals					
Transfers	111,825	-111,825			
First consolidation Outside the consolidation perimeter Conversion differences					
<b>As at 31<sup>st</sup> of December</b>	<b>219,448</b>	<b>75,982</b>	<b>345,745</b>	<b>8,477</b>	<b>649,652</b>
<b>DEPRECIATIONS AND IMPAIRMENT LOSSES</b>					
<b>Method</b>	<b>linear</b>	<b>linear</b>	<b>linear</b>	<b>linear</b>	
<b>Estimated useful life (in years)</b>	<b>40</b>	<b>40</b>	<b>30</b>	<b>20</b>	
As at 1 <sup>st</sup> of January	3,946	170,794	79,724	6,358	260,822
Depreciations of the period	3,238	4,342	13,440	424	21,444
Impairment losses					
Write backs depreciations					
Sales and withdrawals					
Transfers	102,410	-102,410			
First consolidation Outside the consolidation perimeter Conversion differences					
<b>As at 31<sup>st</sup> of December</b>	<b>109,594</b>	<b>72,726</b>	<b>93,164</b>	<b>6,782</b>	<b>282,266</b>
<b>NET CARRYING AMOUNT AS AT 31<sup>ST</sup> OF DECEMBER</b>	<b>109,854</b>	<b>3,256</b>	<b>252,581</b>	<b>1,695</b>	<b>367,386</b>

	Previous Period				Total
	Gas carriers under ownership	Gas carriers under a finance lease	Pipelines under a finance lease	Other tangible assets	
(in thousand euro)					
<b>ACQUISITION VALUE</b>					
As at 1 <sup>st</sup> of January	81,683	187,807	345,745	8,477	623,712
Acquisitions	929				929
Sales and withdrawals					
Transfers					
First consolidation					
Outside the consolidation perimeter					
Conversion differences					
<b>As at 31<sup>st</sup> of December</b>	<b>82,612</b>	<b>187,807</b>	<b>345,745</b>	<b>8,477</b>	<b>624,641</b>
<b>DEPRECIATIONS AND IMPAIRMENT LOSSES</b>					
<b>Method</b>	<b>linear</b>	<b>linear</b>	<b>linear</b>	<b>linear</b>	
<b>Estimated useful life (in years)</b>	<b>40</b>	<b>40</b>	<b>30</b>	<b>20</b>	
As at 1 <sup>st</sup> of January	1,897	163,996	66,284	5,934	238,111
Depreciations of the period	2,049	6,798	13,440	424	22,711
Impairment losses					
Write backs depreciations					
Sales and withdrawals					
Transfers					
First consolidation					
Outside the consolidation perimeter					
Conversion differences					
<b>As at 31<sup>st</sup> of December</b>	<b>3,946</b>	<b>170,794</b>	<b>79,724</b>	<b>6,358</b>	<b>260,822</b>
<b>NET CARRYING AMOUNT AS AT 31ST OF DECEMBER</b>	<b>78,666</b>	<b>17,013</b>	<b>266,021</b>	<b>2,119</b>	<b>363,819</b>

### Useful life (additional information)

The "dry docking" component of the Berge Boston gas carrier under ownership is amortised on a straight line basis over a 5 year period.

As at 31 December 2004, the Group held one gas carrier under ownership (the "Berge Boston") and two gas carriers under a finance lease (the "Methania" and the "Mourad Didouche"). In June 2005, Distrigas SA bought the Méthania from Exmar for the amount of 13,000,000 \$ (i.e. 10.75 million euro).

Following this transaction, the "Methania" is now recognised as an asset held under ownership. During the period, expenditure leading to an extension of the gas carrier's useful life were also undertaken and activated in accordance with IAS 16, for an amount of 14.26 million euro. The depreciations of the period amounted to 21.44 million euro, i.e. 7.58 million euro for the gas carriers, 13.44 million euro for the pipelines and 0.42 million euro for the other tangible assets.

The acquisition values at the close of the period consequently amount to 649.65 million euro (624.64 million euro at the close of the previous period) while the depreciation funds set up amount to 282.27 million euro (260.82 million euro for the previous period).

The rights and obligations arising from finance leases and operating leases are commented in notes 8 and 9.

## Note 7

Subsidiaries, associates, joint ventures  
and participating interests available for  
sale

## Subsidiaries

Name	Country of head office	Share of interest in capital	Share of voting rights held (if different)	Closing date	Consolidation method
Distrigas & C <sup>o</sup> SCA	Belgium	99.80%		31 December	Fully consolidated
Finpipe EIG	Belgium	63.33%		31 December	Fully consolidated
Transfin SA	Belgium	99.80%		31 December	Fully consolidated
Distri Re SA	Luxembourg	99.99%		31 December	Fully consolidated
Sofipar SA	Belgium	100.00%		31 December	Fully consolidated

In March 2005, the Company acquired 100% of the shares in Sofipar SA for 2.39 million euro, paid in cash, mainly corresponding to the value of the participating interest of 7.33% held by Sofipar SA in the economic interest group Finpipe.

On the transaction date, the participating interest in the economic interest group was the only asset of Sofipar SA, charged in its books for 1.84 million euro. Sofipar SA had no liabilities.

Given that the Company already held, before the transaction, a participating interest of 56% in the economic interest group, it has consequently increased the percentage of its participating interest from 56% to 63.33%.

As this kind of transaction was not covered by the current version of IFRS 3 "Business Combinations", nor elsewhere by another standard, the Company has chosen, in accordance with the provisions provided for by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", to charge the difference recognised between the acquisition price paid by the Company and its share in the fair value of Sofipar's identifiable assets and liabilities to equity on the acquisition date.

## Associates

Name	Country of head office	Share of interest in capital	Share of voting rights held (if different)	Closing date	Consolidation Method	Total balance sheet (assets/liabilities)	
						Current Period	Previous Period
(in thousand euro)							
IZT SCRL	Belgium	51%		30 Sep	Equity method	8,496	7,852

## Associates

Name	Financial liabilities		Turnover		Net earnings	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
(in thousand euro)						
IZT SCRL	6,103	6,449	3,654	1,730	132	79

### IZT

The Company owns 51% of IZT and Interconnector (UK) Limited holds the remaining 49%.

However, an analysis of the articles of association reveals that despite a majority level of participating interest, the Company does not exercise any significant influence on IZT.

It should also be noted that given that Interconnector (UK) Limited closes its accounts on the 30th of September of each year and consolidates the IZT accounts, it has been decided to align the IZT reporting date on that of Interconnector (UK) Limited.

In accordance with the Group's accounting policies defined for the treatment of associates, IZT has been consolidated according to the equity method.

According to this method, the Group has therefore charged its share in the net result of IZT to a specific line of the income statement entitled Share in the net result of the affiliated companies accounted for using the equity method.

The "Associates accounted for using the equity method" line that appears in the balance sheet covers the Group's share in the equity of IZT at the reporting date.

The IZT financial statements have been prepared using the Group's accounting policies.

The comparative amounts taken for 2004 correspond to 9 months of activity, following the modification of the accounting reporting date.

## Joint ventures

Name	Country of head office	Share of interest in capital	Share of voting rights held (if different)	Closing Date	Consolidation Method
PR Bergesen d.y. Distrigas LNG Transport DA	Norway	49%		31 December	Proportionate method
Etac BV	the Netherlands	75%		31 December	Proportionate method
Rhodigaz SAS	France	50%		31 December	Proportionate method

**PR BERGESEN**

The joint venture was established in December 2000 by Distrigas & C° sca and the Norwegian shipowner Bergesen.

Its aim is the construction and operation of a gas carrier (the Berge Boston) which entered into service in early 2003 and freighted to Tractebel LNG North America LLC (also see note 9 on operating leases).

**ETAC BV**

Etac BV was founded in June 1997 by the Company and Gaz de France.

Up until 31.03.2005, ETAC BV commercialised the capacity of the 's Gravenvoeren-Blaeregnies pipeline.

**RHODIGAZ SAS**

Rhodigaz SAS was set up in December 2001 by the Company and Rhodia Energy sas.

Rhodigaz sas was entrusted, on a non exclusive basis, with the commercial operations for the negotiation, conclusion and execution of transport service or gas natural storage contracts in France.

Name	Share of fixed assets		Share of current assets		Share of long term liabilities	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
(in thousand euro)						
PR Bergesen d.y. Distrigas LNG Transport DA	76,617	78,666	448	300	0	0
Etac BV	0	0	9,819	16,174	0	0
Rhodigaz SAS	0	0	2,267	1,075	0	0

Name	Share of short term liabilities		Share of income		Share of expenses	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
(in thousand euro)						
PR Bergesen d.y. Distrigas LNG Transport DA	241	150	10,631	10,568	3,827	3,860
Etac BV	8,312	8,909	3,797	15,929	1,794	8,168
Rhodigaz SAS	2,224	1,033	8,981	6,178	8,980	6,167

## Participating interests available for sale

Name	Country of the head office	Share of interest in capital	Share of voting rights held (if different)	Closing date	Total balance sheet (assets/liabilities)	
					Current Period	Previous Period
(in thousand euro)						
Interconnector (UK) Limited	United Kingdom	16.41%		30 Sep	13,311	15,762
Huberator SA	Belgium	10.00%		31 Dec	13,935	9,975

## Participating interests available for sale

Name	Turnover		Net earnings		Currency
	Current Period	Previous Period	Current Period	Previous Period	
(in thousand euro)					
Interconnector (UK) Limited	93,413	68,769	31,846	25,784	GBP
Huberator SA	9,763	6,864	2,912	2,644	EUR

**HUBERATOR SA**

Huberator is the operator of the Zeebrugge Hub and as such provides services to the companies active on the Hub.

Fluxys SA holds a majority participating interest of 90% in the SA Huberator.

**INTERCONNECTOR UK**

The main participating interest available for sale at the reporting date is INTERCONNECTOR (UK) Ltd (IUK for short).

IUK was created by a consortium of European gas companies in order to set up and operate the connection between the British gas network (Bacton) and the continental network (Zeebrugge).

In June 2005, the Company increased its participating interest in IUK from 14% to 16.41% by exercising its pre-emptive rights.

The amounts charged to turnover and the net income for the previous period cover 9 months of activity following the change of the reporting date in 2004.

## Note 8

# Rights and obligations arising from finance leases

Receivables from finance leases (group as lessor)

(in thousand euro)	Current Period	Previous Period
<b>TOTAL GROSS INVESTMENT</b>		
<b>One year and less</b>	28,524	29,825
One year and over but less than five years	107,709	110,196
Five years and over	113,139	139,176
<b>Total one year and over</b>	220,848	249,372
<b>TOTAL</b>	249,372	279,197
<b>NON ACQUIRED FINANCIAL INCOME</b>		
<b>One year and less</b>	11,871	12,959
One year and over but less than five years	36,312	40,853
Five years and over	15,904	23,234
<b>Total one year and over</b>	52,216	64,087
<b>TOTAL</b>	64,087	77,046
<b>FINANCE LEASE RECEIVABLE</b>		
<b>One year and less</b>	16,653	16,866
One year and over but less than five years	71,397	69,343
five years and over	97,235	115,942
<b>Total one year and over</b>	168,632	185,285
<b>TOTAL</b>	185,285	202,151

## General description of the main provisions of the leases

The economic interest group Finpipe, a subsidiary of the group, created in 1991, is the owner of the Zeebrugge-Blaregnies and rTR pipelines linking Zeebrugge to Eynatten. The Finpipe EIG has taken over the financing operations for the construction of the two pipelines, mainly via borrowings, but also in part using equity.

A finance and operating lease, which cannot be cancelled, has been concluded with Fluxys SA for the two pipelines.

Below, we summarise the main provisions of these two leases concluded between the Finpipe EIG (lessor) and Fluxys SA (Lessee) which we describe as "main leases" in the argument.

### 1. Zeebrugge-Blaregnies pipeline

The lease is concluded for a duration of 20 years, as from the 15<sup>th</sup> of December 1992, corresponding to the date of the entry into service of the pipeline.

The lease makes provision for a purchase option for the lessee, which can be exercised at the expiration of the lease.

The minimum rental payments (excluding option) are constituted by the following two elements:

- on the one hand, the repayment by the lessee of the part of the investment financed by borrowings, as well as of the financial expenses paid for by the lessor on these borrowings,
- on the other hand, the repayment by the lessee of the part of the investment that was financed by its equity, on the basis of a rate contractually fixed with the lessor.

### 2. Zeebrugge-Eynatten pipeline

The lease is concluded for a duration of 17 years, as from the 1<sup>st</sup> of October 1998, the date corresponding to the entry into service of the asset.

The lease makes provision for a purchase option for the lessee, which can be exercised at the expiration of the lease.

The minimum rental payments (excluding option) are constituted by the following two elements:

- on the one hand, the repayment by the lessee of the part of the investment financed by borrowings, as well as of the financial expenses paid for by the lessor on these borrowings,
- on the other hand, the repayment by the lessee of the part of the investment that was financed by its equity, on the basis of a rate contractually fixed with the lessor.

## Liabilities resulting from finance leases for the period (group as lessee)

	Current Period			
	Adjusted value of the minimum rent payments (gas carriers)	Adjusted value of the minimum rent payments (pipelines)	Minimum rent payments (gas carriers)	Minimum rent payments (pipelines)
(in thousand euro)				
<b>One year and less</b>	<b>6,102</b>	<b>15,360</b>	<b>6,628</b>	<b>29,311</b>
One year and over but less than five years		66,218		110,971
Five years and over		118,046		174,913
<b>Total one year and over</b>		<b>184,264</b>		<b>285,884</b>
<b>TOTAL</b>	<b>6,102</b>	<b>199,624</b>	<b>6,628</b>	<b>315,195</b>

## Liabilities resulting from finance leases for the previous period (group as lessee)

	Previous Period			
	Adjusted value of the minimum rent payments (gas carriers)	Adjusted value of the minimum rent payments (pipelines)	Minimum rent payments (gas carriers)	Minimum rent payments (pipelines)
(in thousand euro)				
<b>One year and less</b>	<b>6,320</b>	<b>15,437</b>	<b>7,654</b>	<b>30,463</b>
One year and over but less than five years	5,285	64,186	5,740	113,429
Five years and over		135,437		201,766
<b>Total one year and over</b>	<b>5,285</b>	<b>199,623</b>	<b>5,740</b>	<b>315,195</b>
<b>TOTAL</b>	<b>11,605</b>	<b>215,060</b>	<b>13,394</b>	<b>345,658</b>

The carrying amount of the assets is given in note 6 which deals specifically with tangible assets.

### General description of the main provisions of the leases

Distrigas & C° SCA is entrusted with the development of the international activities such as the commercialisation of the border to border capacity (transit) in Belgium.

It commercialises in particular the capacity of the Zeebrugge-Blaregnies and Zeebrugge-Eynatten pipelines which are transferred under a finance lease to Fluxys SA by the Finpipe EIG (see above).

Within this framework, two agreements have been concluded between Distrigas & C° SCA and Fluxys SA, according to which Distrigas & C° SCA commercialises almost all of the transportation capacities leased by Fluxys SA to Finpipe EIG, and this, subject to the payment of transit services fees that cover the sums paid by Fluxys SA to Finpipe EIG (see above) as well as the operating expenses paid by Fluxys for the operation of the pipelines, increased by a margin.

The main provisions of these agreements are given below. They are known as "secondary contracts" in the development below, in reference to the terminology of "main contracts", which was used to describe the relation between Finpipe EIG and Fluxys SA with regard to the same assets.

The Company also acts as lessee within the framework of the finance lease for the gas carrier Mourad Didouche concluded with the Algerian company SNTM-Hyproc.

### 1. Zeebrugge-Blaregnies pipeline

The lease entered into force on the 1st of October 1999, for a duration of 30 years in principle. This lease may however be extended according to the terms and conditions laid down in the lease.

The lease does not provide for a purchase option.

Up until the maturity of the "main contract", the transit services fee to be paid by Distrigas & C<sup>o</sup> SCA to Fluxys SA shall be equivalent to the amount of the fee paid by Fluxys SA to Finpipe EIG, added to which is the amount, increased by a margin, of the operating expenses paid by Fluxys SA.

At the expiration of the "main contract", the parties shall meet in order to reach agreement on the amount of the transit services fee to be paid by Distrigas & C<sup>o</sup> SCA up until the expiration of the "secondary contract".

### 2. Zeebrugge-Eynatten pipeline

The lease entered into force on the 1st of October 1998, for a duration of 20 years in principle. This lease may however be extended according to the terms and conditions laid down in the lease.

The lease does not provide for a purchase option.

Up until the maturity of the "main contract", the transit services fee to be paid by Distrigas & C<sup>o</sup> SCA to Fluxys SA shall be equivalent to the amount of the fee paid by Fluxys SA to Finpipe EIG, added to which is the amount, increased by a margin, of the operating expenses paid by Fluxys SA.

### 3. Methania

The Methania is a gas carrier with a capacity of 131,235 m<sup>3</sup>. Since its entry into service in 1978, the Methania has been leased by Distrigas on the basis of a long term freight contract which will expire in 2014.

The rent corresponds to the repayment of the operating costs of the Methania, increased by a margin (management fee).

The Company acquired the Methania in June 2005.

### 4. Mourad Didouche

The Mourad Didouche is a gas carrier with a capacity of around 130,000 m<sup>3</sup> which is owned by the Algerian company SNTM-Hyproc.

The Mourad Didouche is leased by Distrigas since its entry into service in 1989 and its finance lease runs up until 30/09/2006.

The rent corresponds to the repayment of a fixed part (CAPEX) and variable part (OPEX), the latter being indexed every quarter in accordance with a formula provided for in the lease. The lease is made out in USD.

The fair value of the Group's finance lease receivables is estimated at 197.34 million euro as at 31/12/2005, on the basis of an adjustment of the cash flows at a market rate and the fair value of the Group's finance lease liabilities is estimated at 225.53 million euro as at 31/12/2005, using the same accounting method.

## Note 9

# Operating lease (group as lessor)

Total amount of the minimum future rents from operating leases that cannot be cancelled

(in thousand euro)	Current Period	Previous Period
<b>Less than one year</b>	<b>9,451</b>	<b>8,185</b>
Over one year but less than five years	37,803	32,741
Five years and over	113,408	106,407
<b>Total one year and over</b>	<b>151,211</b>	<b>139,147</b>
<b>TOTAL</b>	<b>160,662</b>	<b>147,332</b>

It should be noted that the lease in question does not make provision for a conditional rent that would have required recognition in the income statement.

EUR/USD rates as at 31 December (BCE)

1.1797

1.3621

### General description of the main provisions of the simple lease contracts

The contract concerns a gas carrier owned in co-ownership by the Group.

The contract duration is 20 years and the customer can call upon an option to extend the duration for 3 periods of 3 years.

The contract is made out in USD.

The contract does not provide for a purchase option nor for a transfer of property upon contract maturity.

## Note 10

## Other non current assets

(in thousand euro)	Current Period	Previous Period
<b>VAT bond on imports</b>		
<b>Carrying amount as at 1<sup>st</sup> of January</b>	<b>8,733</b>	<b>10,295</b>
(Decrease)/Increase	-5,669	-1,562
First consolidation		
Outside the consolidation perimeter		
Translation differences (negative)/positive		
<b>Carrying amount as at 31<sup>st</sup> of December</b>	<b>3,064</b>	<b>8,733</b>
<b>Other bonds</b>		
<b>Carrying amount as at 1<sup>st</sup> of January</b>	<b>8</b>	<b>309</b>
(Decrease)/Increase	1,551	-301
First consolidation		
Outside the consolidation perimeter		
Translation differences (negative)/positive		
<b>Carrying amount as at 31<sup>st</sup> of December</b>	<b>1,559</b>	<b>8</b>
<b>TOTAL OTHER NON CURRENT ASSETS</b>	<b>4,623</b>	<b>8,741</b>

The amount of the VAT bond on imports fell sharply at the close of the period (3.06 million euro compared with 8.73 million euro at the close of the previous period), following the transposal into Belgian law, on the 1st of January 2005, of the provisions laid down by the VAT Directive 2003/92/EC of the Council, modifying the rules relating to the place of delivery of the gas and electricity and exonerating from VAT in particular gas imports by the distribution network.

The payment of a bond of 1.5 million euro to a foreign operator within the framework of a transportation contract for natural gas for the activities of the Company outside Belgium explains the hike in the total of the other bonds.

## Note 11

# Inventories

(in thousand euro)	Current Period	Previous Period
<b>Gross carrying amount</b>		
Materials	304	215
Commodities (natural gas)	172,479	99,278
<b>TOTAL</b>	<b>172,783</b>	<b>99,493</b>
<b>Carrying amount of the inventories recognised at fair value less sales costs</b>		
Materials	0	0
Commodities (natural gas)	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>Costs of the inventories recognised as expenses</b>		
Materials	-89	140
Commodities (natural gas)	-73,201	12,253
<b>TOTAL</b>	<b>-73,290</b>	<b>12,393</b>
<b>Impairment losses</b>	<b>0</b>	<b>0</b>
<b>Recovery of impairment losses</b>	<b>0</b>	<b>0</b>
Circumstances or events that led to the recovery		

The inventories are mainly made up of natural gas.

The carrying amount of the inventories of natural gas has increased compared with the previous period under the combined effect of the increase in quantities of stocks and the rise in the average unit price of the stock.

By taking the average of the ZIG index (Dow Jones Zeebrugge Index for Natural Gas) of the month of December as a reference index, no impairment loss needs to be charged during the valuation of inventories at the end of the period.

## Note 12

## Trade and other receivables

(in thousand euro)	Current Period	Previous Period
Trade receivables	733,238	581,258
Impairment losses on trade receivables	-987	-1,451
Trade receivables	732,251	579,807
Other receivables	1,822	1,520
<b>TOTAL</b>	<b>734,073</b>	<b>581,327</b>
<b>Impairment losses on trade receivables</b>		
Balance sheet	-987	-1,451
Income statement (+ appropriations, - write-backs)	0	246
<b>Breakdown of other receivables</b>		
VAT	182	1,477
Other receivables	1,640	43
<b>TOTAL</b>	<b>1,822</b>	<b>1,520</b>

The trade receivables include the amounts payable by the Group's customers for the supply of gas and other services.

The increase in the trade receivables can be explained by the price hikes applied on the invoicing of the volumes sold during the month of December of the period, compared with the tariffs applied to the deliveries of December of the previous period, due to the rise in the price of energy prices.

The change observed between the two periods was also influenced by the application of IAS 32/39 as from the 1<sup>st</sup> of January 2005, leading the Group to offset certain financial assets and liabilities, when it has an enforceable legal right to offset recognised amounts. A similar effect will emerge, for the same reasons, when analysing the evolution of the trade payables (note 19).

The entry into force of Directive 77/388/EEC as at 1 January 2005, modifying and simplifying the rules governing the location of gas and electricity deliveries, explains the downturn in VAT receivables on transactions carried out by the Group on European territory.

The carrying amount at the historic cost of the receivables granted under normal commercial conditions approaches their fair value.

The trade receivables are subject to late interest in the event of late payment by the customer, according to the contractual conditions of sale.

The trade receivables are subject to late interest in the event of late payment by the client, in accordance with the contractual conditions of sale.

## Note 13

# Cash and cash equivalents

(in thousand euro)	Current Period	Previous Period
Short-term bank deposits (3 months or less)	952,218	854,919
Bank current accounts	2,240	835
Cash in hand	12	11
<b>CASH AND CASH EQUIVALENTS ACCOUNTED FOR IN THE BALANCE SHEET</b>	<b>954,471</b>	<b>855,765</b>

This heading mainly includes short-term bank deposits invested under market conditions.

The carrying amount of the cash and cash equivalents approaches their fair value due to their short term maturity date.

The cash and cash equivalents amount to 954.47 million euro at the reporting date, compared with 855.77 million euro at the close of the previous period.

The cash flows are further explained in the cash flow consolidated statement.

## Note 14

# Other current assets

(in thousand euro)	Current Period	Previous Period
Acquired income	8,168	1,519
Expenses to be carried forward	12,948	13,143
Insurance	11,440	11,391
Others	1,508	1,752
<b>TOTAL</b>	<b>21,116</b>	<b>14,662</b>

The acquired income mainly includes the proportional share of interest on cash investments, acquired at the close of the period but not yet received.

The expenses to be carried forward mainly include the shares of operating expenses (mainly insurance costs) invoiced during the period but that must be borne, in part or in total, by the following accounting period.

The increase in "Acquired income" compared with the previous period can be explained by increased activity by the Company in terms of the financial hedging of the price risks on commodities (note 31).

## Note 15

# Share capital

	Current Period	Previous Period
<b>Number of shares</b>	<b>702,636</b>	<b>702,636</b>
<b>Share capital (in thousand euro)</b>	<b>66,228</b>	<b>66,228</b>

The capital is fully freed up and is broken down into shares, without nominal value, of category A, B, C and D.

The category A shares are held by SUEZ-Tractebel (292,472 shares) and by Publigas (58.847 shares).

The category B shares are held by Publigas (116,812 shares).

The category C shares are held by SUEZ-Tractebel (73,164 shares) and by Publigas (43,942 shares).

The A, B and C share categories cannot be traded on Euronext Brussels, contrary to the category D shares, 117.398 of which have been issued, with 36.571 in the hands of SUEZ-Tractebel.

The rights granted to the specific share held by the Belgian State are laid down in detail in the "Corporate Governance" section of the annual report.

The share capital has not undergone any evolution during the period in question.

The articles of association do not contain any provisions relating to the authorised and conditional capital.

## Note 16

# Minority interests

(in thousand euro)	Current Period	Previous Period
As at 1 <sup>st</sup> of January	17,593	16,611
Increase / (decrease) of holdings		
Share of the net profit of the subsidiaries	4,298	9,201
Share of third parties in dividends paid by Finpipe EIG	-2,122	-2,546
Share of third parties in dividends paid by ETAC BV	-5,703	-5,704
Elimination of the value of the participating interest of Finpipe EIG in Sofipar SA	-1,843	
Share of third parties in the reserves of Finpipe EIG from previous periods, transferred to the Group following the acquisition of Sofipar SA	-475	
Capital increases		
Change in the fair value of the hedging instruments	-2	
Transfers from equity accounting		
(Negative)/positive translation differences		
<b>NET CARRYING AMOUNT AS AT 31<sup>ST</sup> OF DECEMBER</b>	<b>11,746</b>	<b>17,562</b>
Impact of IAS 32 and 39 on opening balance sheet 1/1/05		31
<b>Balance sheet as at 01/01/2005</b>		<b>17,593</b>

The changes reported compared with the previous period can be explained, on one hand, by the acquisition of Sofipar SA (note 7) which reduced the minority interests in Finpipe EIG and, on the other hand, by the fact that the activity of the joint venture ETAC BV, which is integrated, as a reminder, according to the proportional integration method, was limited to one quarter in 2005, compared with a full year in 2004 (note 7).

The reader can also refer to the consolidated statement of changes in equity capital.

## Note 17

# Provisions

	Onerous contracts		Others		Total	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
(in thousand euro)						
<b>TOTAL PROVISIONS (CURRENT AND NON CURRENT)</b>						
As at 1 <sup>st</sup> of January	121,417	110,862	4,393	8,367	125,810	119,229
New provisions constituted	14,370	0	0	0	14,370	0
Increase of provisions	40,030	10,244	2,680	2,621	42,710	12,865
Increase in the present values	3,483	10,200	0	0	3,483	10,200
<b>Appropriations</b>	<b>179,300</b>	<b>131,306</b>	<b>7,073</b>	<b>10,988</b>	<b>186,373</b>	<b>142,294</b>
First consolidation						
Use during the period	-6,036	-5,407	-1,877	-6,595	-7,913	-12,002
Write-back of provisions	-130,581	-4,482	0	0	-130,581	-4,482
Positive/negative translation differences						
<b>As at 31<sup>st</sup> of December</b>	<b>42,683</b>	<b>121,417</b>	<b>5,196</b>	<b>4,393</b>	<b>47,879</b>	<b>125,810</b>
<b>Current provisions</b>	<b>18,294</b>	<b>11,443</b>			<b>18,294</b>	<b>11,443</b>
<b>Non current provisions</b>	<b>24,389</b>	<b>109,974</b>	<b>5,196</b>	<b>4,393</b>	<b>29,585</b>	<b>114,367</b>

### Onerous contracts

Provisions have been constituted in order to take into account the potential risks or expenses related to the execution of supply or transport contracts.

These contracts are considered as onerous within the meaning of IAS 37 (Provisions, Contingent liabilities and Contingent Assets) when it is estimated that the inevitable costs to be incurred by the Company to satisfy the obligations laid down by the contract are higher than the economic benefits expected from these same contracts.

The expected maturity dates of the economic benefits resulting from these provisions are spread between 2006 and 2018.

The estimated amounts are adjusted according to the probable date on which the expenditure falls.

The fair value of these provisions is also estimated on the basis of market values, sometimes with the involvement of independent experts or bodies.

The group has recognized some provisions from the previous periods, amounting to 121.94 million euro as at 31 December 2005.

The total of the provisions recognised on contracts deemed to be onerous according to the IFRS standards, amounts to 24.39 million euro at the close of the period (109.97 million euro at the close of the previous period).

### Other provisions

The other provisions mainly concern the hedging of specific expenses particular to the gas sector.

The expected schedule for the settlement of these provisions is uncertain.

Management believes that there are few uncertainties relating to the amount or the schedule of the outflows of economic benefits and that therefore the estimation of the amount of the provisions can be considered as reliable.

No repayment of a provision is expected.

## Note 18

# Personnel benefits

### DESCRIPTION OF THE MAIN PENSION SCHEMES AND SIMILAR BENEFITS

In Belgium, collective agreements govern the rights of the personnel of companies active within the Electricity and Gas sector.

These agreements, which apply to the “scaled” personnel appointed before the 1<sup>st</sup> of June 2002 and to the managerial staff appointed before the 1<sup>st</sup> of May 1999 provide for a supplementary retirement pension of 75% of the last annual salary, including the statutory pension for staff working until the statutory retirement age. These supplementary pensions may be paid in part to eligible parties. They are defined benefits schemes.

The obligations arising from these pensions schemes are financed by several pension funds set up for the Electricity and Gas sector and insurance companies.

The pensions schemes operate according to a system of employee and employer contributions. The contributions of the employers are determined annually on the basis of an actuarial appraisal. It sets out to check whether the legal obligations with regard to minimum financing are met and whether the long-term financing of the benefits is safeguarded.

The “scaled” personnel appointed since the 1<sup>st</sup> of June 2002 and the managerial staff appointed since the 1<sup>st</sup> of May 1999 benefit from defined contribution schemes. We should however point out that, for the contributions paid in since 01/01/2004, the law imposes an average annual yield over the career of at least 3.25% on the contributions of the employers and of at least 3.75% on the contributions of the employees, with any deficit being payable by the employer.

Given that the actual yields are largely superior to the minimum rates guaranteed since 2004, no provision has been made. The contributions paid into these schemes by employers in 2005 amount to 182,000 euros.

Distrigas also grants early retirement, other post-employment benefits such as the repayment of medical costs and tariff reductions, as well as other long-term benefits (bonus for long service). These benefits are not the subject of pre-financing.

The amounts of the group's commitments are as follows:

	Current Period			Previous Period		
	Pensions	Other commitments	Total	Pensions	Other commitments	Total
(in thousand euro)						
<b>CHANGE IN THE ACTUARIAL DEBT</b>						
<b>Actuarial debt at the beginning of the period</b>	<b>-18,762</b>	<b>-2,743</b>	<b>-21,505</b>	<b>-18,315</b>	<b>-1,527</b>	<b>-19,842</b>
Normal cost	-671	-158	-829	-655	-143	-798
Interest on the actuarial debt	-881	-139	-1,020	-844	-124	-968
Employee contributions	-47	0	-47	-40	0	-40
Scheme modification	0	0	0	0	0	0
Acquisitions/Disposals	0	0	0	0	0	0
Scheme reductions/suspensions	0	0	0	0	0	0
Actuarial gains and losses	-1,766	-373	-2,139	936	-992	-56
Benefits paid	2,198	57	2,255	156	43	199
Others (translation differences)	0	0	0	0	0	0
<b>Actuarial debt at the end of the period</b>	<b>-19,929</b>	<b>-3,356</b>	<b>-23,285</b>	<b>-18,762</b>	<b>-2,743</b>	<b>-21,505</b>
<b>CHANGE IN HEDGING ASSETS</b>						
<b>Fair value of assets at the beginning of the period</b>	<b>16,710</b>	<b>0</b>	<b>16,710</b>	<b>16,239</b>	<b>0</b>	<b>16,239</b>
Actual yield from assets	1,981	0	1,981	-198	0	-198
Employer contributions	196	57	253	785	43	828
Employee contributions	47	0	47	40	0	40
Acquisitions/Disposals	0	0	0	0	0	0
Scheme reductions/suspensions	0	0	0	0	0	0
Benefits paid	-2,198	-57	-2,255	-156	-43	-199
Others (translation differences)	0	0	0	0	0	0
<b>Fair value of the hedging assets at the end of the period</b>	<b>16,736</b>	<b>0</b>	<b>16,736</b>	<b>16,710</b>	<b>0</b>	<b>16,710</b>
<b>Financial hedging</b>	<b>-3,193</b>	<b>-3,356</b>	<b>-6,549</b>	<b>-2,052</b>	<b>-2,743</b>	<b>-4,795</b>
Non reported actuarial differences	704	419	1,123	30	59	89
Non reported costs of past services	0	0	0	0	0	0
Actuarial losses and gains on transition	0	0	0	0	0	0
Asset ceiling	0	0	0	0	0	0
<b>Net pension commitments</b>	<b>-2,489</b>	<b>-2,937</b>	<b>-5,426</b>	<b>-2,022</b>	<b>-2,684</b>	<b>-4,706</b>
<b>TOTAL LIABILITIES</b>	<b>-2,489</b>	<b>-2,937</b>	<b>-5,426</b>	<b>-2,022</b>	<b>-2,684</b>	<b>-4,706</b>
<b>TOTAL ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The charge reported as pensions and similar commitments over the period is broken down as follows:

(in thousand euro)	Current Period	Previous Period
Costs of services rendered	-829	-798
Adjustment interests	-1,019	-968
Expected yield	889	769
Actuarial losses and gains	-13	-933
Cost of past services		0
Profits or losses on reduction, disposals, liquidation		0
Exceptional events		0
Asset ceiling		0
<b>TOTAL</b>	<b>-972</b>	<b>-1,930</b>

The costs of the services rendered over the period are charged as personal costs and in the net assignments to provisions.

The changes in provisions for pensions and other similar commitments in the balance sheet are as follows:

(in thousand euro)	Current Period		Total
	Pensions	Other commitments	
Net commitment at the beginning of the period	-2,023	-2,684	-4,707
Net cost of the period	-662	-310	-972
Employer contributions of the period	196	57	253
<b>Net commitments at the end of the period</b>	<b>-2,489</b>	<b>-2,937</b>	<b>-5,426</b>

The hedging assets are allocated as follows according to the main categories of assets:

	Current Period	Previous Period
Investments in shares	32%	32%
Investments in bonds	47%	47%
Property	8%	8%
Others (including monetary)	13%	13%
	<b>100%</b>	<b>100%</b>

## ACTUARIAL HYPOTHESES

The actuarial hypotheses were determined with qualified actuaries. The key hypotheses are presented as follows:

	Current Period		Previous Period	
	Pensions	Other commitments	Pensions	Other commitments
Adjustment rate	3.80%	3.80%	4.70%	4.70%
Wage increase rate	3.90%	3.90%	3.90%	3.90%
Expected yield of assets	5.40%		5.00%	
Rate of increase of medical costs		2.90%		2.90%

## Note 19

# Trade and other payables

(in thousand euro)	Current Period	Previous Period
Trade payables	876,244	525,973
Tax payables	61,853	64,834
Social security payables	1,264	1,559
Other payables	15,607	47,527
<b>TOTAL</b>	<b>954,967</b>	<b>639,893</b>

The trade payables include the amounts due to the Group's suppliers for the supply of gas and other services.

They are subject to interest in the event of late payment, according to the contractual conditions of purchase determined by mutual agreement with the suppliers.

The increase in the "Trade payables" item reported compared with the previous period, is essentially to be attributed to hike in energy prices. A similar evolution can further be observed when analysing the "Trade and other receivables" (note 12).

The "tax payables" item essentially refers to the VAT and business withholding tax payable on transactions carried out in December.

The "Other payables" item mainly includes the amount of the dividends to be paid to third parties by the subsidiaries for the previous period (8.56 million euro in 2004 and 8.58 million euro in 2005). It also includes for the period, the price agreed between parties but not yet paid, for the purchase of a participating interest of 4% in Interconnector (UK) Ltd.

The carrying amount at the historical cost of the payables granted under the usual commercial conditions are close to their fair value.

## Note 20

## Current and non current financial liabilities

Information is given below relating to the contractual provisions of the Group with regard to interest bearing loans and borrowings, covering financial liabilities (current and non current).

Information relating to finance lease debts are also provided in note 8.

## Non current liabilities

(in thousand euro)	Nominal Rate	Current Period	Previous Period
Credit institution	4.41%	23,860	27,269
	5.483%	9,758	9,485
Other borrowings	4.05%	10,488	12,395
	4.05%	4,894	5,784
	4.38%	18,161	21,187
<b>Total other financial liabilities</b>		<b>67,162</b>	<b>76,120</b>

The long term financial liabilities relate mainly to borrowings of over one year resulting from contracts concluded by Finpipe EIG with the European Investment Bank (E.I.B.) within the framework of the financing of the construction of the Zeebrugge-Eynatten (RETR) pipelines and with Cocetrel within the framework of the construction of the Zeebrugge-Blaregnies (TROLL) pipelines. All of these loans are taken out under fixed rates.

This item also includes a fixed-rate loan of 6,687,500 GBP, revalued at the closing rate.

The non current "Other financial liabilities" are down from one period to another under the effect of the transfer at the end of the period to the current "Other financial liabilities" (transfer of the share of over one year falling due the following year).

## Current liabilities

(in thousand euro)	Nominal Rate	Current Period	Previous Period
Debts payable after more than one year falling due within the year	4.41%	3,409	3,409
	4.05%	1,907	1,907
	4.05%	890	890
	4.38%	3,027	3,027
Other borrowings	2.16%	82,025	91,995
<b>Total other financial liabilities</b>		<b>91,257</b>	<b>101,227</b>
<b>TOTAL CURRENT AND NON CURRENT FINANCIAL LIABILITIES</b>		<b>158,419</b>	<b>177,348</b>

This heading includes the share of the loans of over one year that fall due during the year following the closed period and of the other loans.

The short term financial liabilities relate mainly to the borrowings of over one year that fall due during the year determined by the leases concluded between the Finpipe EIG and the European Investment Bank (E.I.B.) and the issue of a commercial paper within the framework of the financing of the construction of the Zeebrugge-Eynatten (RTR) pipelines. The issue of the commercial paper is subject to a variable quarterly rate of 2.16% at the reporting date compared with 2.139% in 2004.

The short term financial liabilities are also composed of borrowings resulting from contracts concluded between Finpipe EIG and Cocetrel within the framework of the financing of the construction of the pipelines (TROLL). All these borrowings are subject to fixed rates.

The total financial liability is to be reimbursed as follows:

(in thousand euro)	Current Period	Previous Period
at request within one year	91,257	101,227
in the course of the second year	9,232	9,232
in the course of years 3 to 5	37,455	37,181
after 5 years	20,475	29,707

According to the IAS 32, § 86 § 92 benchmark, the fair value of the borrowings of financial liabilities (excluding interests accrued) is:

(in thousand euro)	Current Period
European Investment Bank	28,499
Fortis Banque (kGBP)	9,982
Cocetrel loan	40,687
Commercial papers	82,025

The change in current "Other financial liabilities" can be explained by the reimbursement of the commercial papers, which were cut back by 9.97 million euro at the end of the current period.

## Note 21

# Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised in the balance sheet on the temporary differences arising from the fact that the tax authorities measure the assets and liabilities with different rules from those used for the drawing up of the consolidated accounts.

The changes in the balance sheet deferred taxes arising in the course of the past period are recognised in the profit and loss account, unless they relate to elements charged directly to equity.

The deferred taxes are calculated on the basis of the taxation rates in force, or in the event of change, the rates already voted and that are expected at the time of the recognition of the taxes to be paid (or reclaimed) in the statutory accounts. Unless a distribution is provided for, no deferred tax is calculated on the undistributed profits of the subsidiaries.

The deferred tax assets and liabilities recognised by the Group and the subsequent movements are distributed as follows:

### Balance sheet assets

(in thousand euro)	Pipelines	Gas carriers	Inventories	Financial instruments	Total
<b>Situation as at 1<sup>st</sup> of January of the previous period (liabilities: negative / assets: positive)</b>	<b>-97,377</b>	<b>-21,974</b>	<b>-1,483</b>	<b>0</b>	<b>-120,834</b>
Expense (income) recognised in the profit and loss account of the previous period	3 615	-148	-2,675	0	792
Expense (income) recognised in the equity of the previous period	0	0	0	0	0
Acquisitions/Disposals of subsidiaries	0	0	0	0	0
<b>Situation as at 31 December of the previous period</b>	<b>-93,762</b>	<b>-22,122</b>	<b>-4,158</b>	<b>0</b>	<b>-120,042</b>
<b>Impact of IAS 32 and 39 on the opening balance sheet 1/1/05</b>				<b>-32,369</b>	
(in thousand euro)	Pipelines	Gas carriers	Inventories	Financial instruments	Total
<b>Situation as at 1<sup>st</sup> of January of the current period</b>	<b>-93,762</b>	<b>-22,122</b>	<b>-4,158</b>	<b>-32,369</b>	<b>-152,411</b>
Expense (income) recognised in the profit and loss account of the current period	3,791	- 5,550	-7,502	-59,649	- 68,910
Expense (income) recognised in the equity of the current period	0	0	0	0	0
Acquisitions/Disposals of subsidiaries	0	0	0	0	0
<b>Situation as at 31 December of the current period</b>	<b>-89,971</b>	<b>27 672</b>	<b>-11,660</b>	<b>-92,018</b>	<b>-221,321</b>

## Balance sheet liabilities

	Pipelines	Gas carriers	Financial instruments	Provisions	Other current assets	Translation differences	Pensions	Total
(in thousand euro)								
<b>Situation as at 1<sup>st</sup> of January of the previous period (liabilities: negative / assets: positive)</b>	<b>78,611</b>	<b>6,332</b>	<b>0</b>	<b>-62,148</b>	<b>-44,113</b>	<b>-350</b>	<b>1,225</b>	<b>-20,443</b>
Expense (income) recognised in the profit and loss account of the previous period	-5,512	-2,388	0	-2,638	11,033	225	375	1,095
Expense (income) recognised in the equity of the previous period	0	0	0	0	0	0	0	0
Acquisitions/Disposals of subsidiaries	0	0	0	0	0	0	0	0
<b>Situation as at 31 Dec. of the previous period</b>	<b>73,099</b>	<b>3,944</b>		<b>-64,786</b>	<b>-33,080</b>	<b>-125</b>	<b>1,600</b>	<b>19,348</b>
<b>Impact of IAS 32 and 39 on the opening balance sheet 1/1/05</b>			<b>27,160</b>					
	Pipelines	Gas carriers	Financial instruments	Provisions	Other current assets	Translation differences	Pensions	Total
<b>Situation as at 1<sup>st</sup> of January of the current period</b>	<b>73,099</b>	<b>3,944</b>	<b>27,160</b>	<b>-64,786</b>	<b>-33,080</b>	<b>-125</b>	<b>1,600</b>	<b>7,812</b>
Expense (income) recognised in the profit and loss account of the current period	-5,247	5,798	85,275	-4,536	12,361	101	224	93,976
Expense (income) recognised in the equity of the current period	0	0	-4,981	0	0	0	0	-4,981
Acquisitions/Disposals of subsidiaries	0	0	0	0	0	0	0	0
<b>Situation as at 31 Dec. of the current period</b>	<b>67,852</b>	<b>9,742</b>	<b>107,454</b>	<b>-69,322</b>	<b>-20,719</b>	<b>-24</b>	<b>1,824</b>	<b>96,807</b>

There are no temporal differences for which any deferred tax asset or liability is recognised.

In accordance with the Group's accounting methods, the deferred tax assets and liabilities of the same entity have been offset in the balance sheet.

(in thousand euro)	Current Period	Previous Period
Deferred taxes on the balance sheet assets	-221,321	-120,042
Deferred taxes on the balance sheet liabilities	96,807	-19,348
	<b>-124,514</b>	<b>-139,390</b>
Change in deferred tax assets and liabilities for the period	-14,876	-1,887
Impact of deferred taxes on the profit and loss for the period	-25,067	-1,887

The change for the year can mainly be explained by the adjustments charged to the "Inventories", "Tangible assets" ("Méthania", following the setting up of the shipping division as from 05/10/2005), the application of the IAS 32/39 standards and the rejection of liabilities not considered as such by the IFRS accounting standards.

### TONNAGE TAX

As a result of the purchase of the Méthania (see note 6) in June 2005, the Company set up a shipping division (Distrigas Shipping, Division of Distrigas NV/SA), in order to be able to optimally manage its NLG transport capacity.

The shipping division is independent and operates autonomously within the Company.

It is responsible for the technical, operational and commercial management of the Méthania.

In its letter of 13 May 2005, the so-called Ruling Committee granted the shipping division the right to benefit from the "tonnage tax" system, subject to certain conditions, whose methods of application are described in articles 115 to 120 of the draft bill of law of 02 August 2002, as modified by the draft bill of law of 27 December 2004.

This specific tax system is granted to companies involved in maritime navigation.

For the Company, it involves the payment of a fixed tax on the taxable income of the shipping division calculated on the basis of the ship's tonnage (Méthania).

Given that the conditions imposed by the Ruling Committee to be able to come under the scheme were fulfilled as from the 5th of October 2005, the Company applied the "tonnage tax" system as from this date.

## Note 22

# Income taxes

The income tax charge includes the current and deferred taxes:

- The current taxes represent the taxes paid or to be paid (reclaimed or to be reclaimed) on the taxable earnings of the past period, as well as any adjustment relating to the taxes paid or to be paid (reclaimed or to be reclaimed) relating to the previous periods.
- The deferred taxes represent the taxes that will only be due (or reclaimed) in the course of future periods

but that have already been charged to the past period and that correspond to the change in the balance sheet deferred taxes (see infra).

The deferred taxes that relate to items under equity are therefore recognized therein.

### 1. Relationship between the tax charge and the book profit

(in thousand euro)	Current Period	Previous Period
Current tax charge	114,487	98,689
Tax adjustment on previous periods	-114	-55
Deferred taxes	-25,067	-1,887
<b>TOTAL TAX</b>	<b>89,305</b>	<b>96,747</b>
Pre-tax earnings	296,909	307,880
Theoretical tax	100,919	104,648
Theoretical taxation rate	33.99%	33.99%

The rate used is the domestic rate of 33.99%.

## 2. Reconciliation between the actual taxation rate and the applicable taxation rate

(in thousand euro)	Current Period	Previous Period
Foreign taxation rate difference	-1,301	-3,298
Tax free dividends received	-3,651	-1,463
Other non taxable elements	-3,214	-3,131
Non deductible expenses	303	144
Impact of losses brought forward	0	0
Use of deferred taxes not recognised in previous years	0	0
Use of deferred taxes not recognised in the current year	-2,951	0
Tax adjustments over previous periods	-114	-48
<b>Others</b>	<b>-686</b>	<b>-107</b>
Actual tax	89,305	96,747
Actual taxation rate	30.08%	31.42%

## Note 23

## Other current liabilities

## Current liabilities

(in thousand euro)	Current Period	Previous Period
Revenues to be brought forward	3,955	2,729
Expenses to be charged	779	729
<b>Total other current liabilities</b>	<b>4,734</b>	<b>3,458</b>

The revenues to be brought forward mainly include the share of the turnover recognised at the reporting date but relating to the next accounting period.

The expenses to be charged mainly include the proportional share of interests accrued on loans at the reporting date but whose total expense shall be borne by the following accounting period.

## Note 24

# Turnover

(in thousand euro)	Current Period	Previous Period
<b>GAS SALES</b>	<b>3,645,934</b>	<b>2,784,720</b>
<b>TRANSIT</b>	<b>113,423</b>	<b>115,388</b>
Sale of the transit capacity of the rTR TROLL and Interconnector pipelines	113,423	115,388
<b>OTHER SERVICES</b>	<b>44,071</b>	<b>43,539</b>
Freighting of the "Berge Boston" gas carrier	10,585	10,491
Sale of the transportation capacity of the SEGEO pipeline	3,602	15,710
Services relating to gas sales	29,884	17,338
<b>TOTAL</b>	<b>3,803,428</b>	<b>2,943,647</b>

The Group's turnover mainly includes the revenues related to the following activities:

- Sales of gas;
- Transit;
- Other services.

The Group's turnover amounted to 3,803.43 million euro as at 31 December 2005, against 2,943.65 million euro at the close of the previous period, i.e. an increase of 859,781 million euro or 29.2%.

Sales of natural gas accounted for 96% of this figure and are up considerably on situation as at 31.12.2004, mainly due to the increase in the prices of natural gas.

The turnover for the transit activity (around 3% of the overall turnover) for its part is down from one period to another, following a reduction in short term transit sales.

Finally, the reduction in turnover generated by the sale of the capacity of the Gravenvoeren-Blaregnies pipeline can be explained by the fact that it only related to one quarter of activities in 2005 compared with a full year during the previous period.

The turnover per sector of activity and per geographical market is presented and commented in the "Sector information" section (note 4).

## Note 25

## Other operating income

(in thousand euro)	Current Period	Previous Period
Recharged costs	125	143
Income from insurance	88	3,531
Earnings from administrative management	52	51
Other income	116,397	5
<b>Total other operating income</b>	<b>116,662</b>	<b>3,730</b>

This heading mainly reports the recharged costs, the compensations received from insurance companies, the earnings from the administrative management of the subsidiaries and associates as well as other income.

The "Other income" also includes the operating earnings generated by the financial instruments used by the Group to hedge different risks arising from its trade activities.

The "Income from insurance" of the previous period includes a one-off compensation received within the framework of the Group's insurance policy, with the aim in particular of hedging risks linked to climatic conditions, of a nature to negatively affect the evolution of sales, in particular on the public distribution market (resellers).

The sharp increase in the "Other income" can be explained by the recognition of earnings, of an operating nature, generated by financial instruments with the aim of hedging certain risks. It should also be noted that the number of transactions of this type that were carried out during the 2005 period was particularly high, due to the rising costs of energy.

## Note 26

# Additional information about the operating expenses by nature

The table below provides additional information about the way in which the main operating expenses, classified by nature, are assigned to the headings of the income statement.

(in thousand euro)	Current Period	Previous Period
<b>Supplies</b>	<b>3,550,703</b>	<b>2,582,533</b>
Purchases	3,282,197	2,227,100
Inventory change (note 11)	-73,290	12,393
Transportation costs	236,562	221,065
Belgium	210,974	201,592
Others	25,588	19,473
Storage costs	40,373	48,289
Belgium	34,695	36,640
Others	5,678	11,649
NLG terminalling costs	46,719	50,627
Transit costs	18,143	23,060
<b>Personnel costs</b>	<b>12,627</b>	<b>10,724</b>
<b>Depreciation</b>	<b>21,458</b>	<b>22,724</b>
Depreciation of intangible assets (note 5)	14	14
Depreciation of tangible assets (note 6)	21,444	22,711
<b>Impairment losses</b>		<b>246</b>
Impairment losses on inventories (note 11)		
Impairment losses on trade receivables (note 12)		246
<b>Other operating expenses (note 27)</b>	<b>-30,888</b>	<b>24,775</b>
<b>TOTAL</b>	<b>3,553,900</b>	<b>2,641,002</b>

The "Supplies" item (3,550.70 million euro in 2005 against 2,582.53 million euro in 2004) includes all of the supply costs recognised in the Company's accounts, less the elimination of the reciprocal expenses for 46.92 million euro at close against 26.17 million euro in 2004.

In addition to purchases of natural gas (3,282.20 million euro in 2005 against 2,227.10 million euro in 2004) and the variations in the gas stock, it also includes the transportation costs of 236.56 million euro in 2005 against 221.07 million euro in 2004, storage costs of 40.37 million euro in 2005

against 48.29 million euro in 2004 and LNG terminaling costs of 46.72 million euro in 2005 against 50.63 million euro in 2004 and the transit fees (18.14 million euro in 2005 against 23.06 million euro in 2004) related to the Group's activities on European territory.

The "Other operating expenses" heading is the subject of additional information in note 27.

Compared with the previous year, we can point out:

- the increase in the supply cost due to the combined effect of the growth in purchased volumes and the increase in gas prices;
- the increase in transport costs in the "Belgium" and "Others" (outside Belgium) geographical areas which is naturally explained by the growth in volumes sold (and therefore transported), mainly on the French market;
- the downturn in storage costs, especially in France ("Others");
- the increase in personnel costs, following the increase in the workforce.

## Note 27

# Other operating expenses

(in thousand euro)	Current Period	Previous Period
Rents, rental charges - Maintenance and repair costs	1,263	1,269
Consultancy, study and outsourcing fees and other payments to third parties	14,151	10,555
Fees	346	283
Insurance	2,595	2,361
Other expenses	32,124	10,419
Provisions	-81,414	-3,619
Losses paid	47	3,507
<b>Total other operating expenses</b>	<b>-30,888</b>	<b>24,775</b>

On the whole, all of the commercial and administrative costs and overheads are slightly up on the previous period.

As from the 1<sup>st</sup> of January 2005, the "Other expenses" also include certain expenses of an operational character, linked to the hedging of trade risks using financial instruments, following the adoption of IAS 32 and 39.

The change recognised in the "Provisions" compared with the previous period, is mainly due to the write-back on provisions recorded in 2005 and commented in note 17.

The "Losses paid" item includes the amount of the losses of the period, which were compensated by the Group's reinsurance subsidiary (ad hoc entity), Distri Ré SA.

## Note 28

## Operating income (EBIT)

(in thousand euro)	Current Period	Previous Period
<b>Turnover</b>	<b>3,803,428</b>	<b>2,943,647</b>
<b>Other operating income</b>	<b>116,662</b>	<b>3,730</b>
<b>Operating expenses</b>	<b>-3,553,900</b>	<b>-2,641,002</b>
Supplies	-3,550,703	-2,582,533
Personnel costs	-12,627	-10,724
Depreciation	-21,458	-22,724
Impairment losses		-246
Other operating expenses	30,888	-24,775
<b>Current operating income (EBIT)</b>	<b>366,190</b>	<b>306,375</b>

The EBIT is up by around 20% compared with 2004, amounting to 366.19 million euro.

However, this trend needs to be qualified, as it in fact integrates results generated by the Group during the period, within the framework of its risk hedging policy on the commodities markets.

The Group recognized some provisions set up during previous periods, which therefore positively influenced the EBIT for the period.

The net movement of the provisions had a neutral influence on the EBIT of the previous year.

Barring the two specific factors mentioned above, a certain erosion can be noted in operating margins due to the competitive pressure and the market conditions that were less favourable than in 2004 for the arbitrage activity.

The commercial, general and administrative costs of the Group are slightly up on the previous period, in particular due to the increase in staff numbers.

Finally, the transit activity closes the period at a similar level to last year.

## Note 29

# Financial income

(in thousand euro)	Current Period	Previous Period
Income from holdings	11,326	4,531
Financial income from finance leases	13,149	14,253
Gains on investments	20,378	24,822
Financial instruments	0	4,892
Latent exchange income	0	335
Income from circulating assets	20,378	19,595
<b>TOTAL FINANCIAL INCOME</b>	<b>44,853</b>	<b>43,606</b>

The "Income from participating interests" is comprised of the dividends paid by Interconnector (UK) Ltd.

They are up on the previous period, mainly due to an increase in the percentage of participating interest (up from 10% to 14% in 2004, and to 16.41% in 2005).

The "Latent exchange income" relates to the effect of the measurement of balance sheet items at the closing rate.

Furthermore, part of the income considered as financial according to the Belgian GAAP and conformed to this rule for setting up the previous period IFRS comparative statements has since then be requalified into operational income.

The reader is invited to also take into account the comments under note 25.

The 'Income from circulating assets' remains at the level of the previous period, despite the larger cash flow available as result of a slight increase in the average investment rate.

## Note 30

# Financial expenses

(in thousand euro)	Current Period	Previous Period
Charges from other financial liabilities	6,672	6,471
Financial charges from finance leases	17,648	17,612
Other financial income / expenses	3,219	18,058
Exchange income earned	0	2,514
Exchange differences credited	0	-12,300
Exchange differences charged	0	14,814
Financial expenses: impairment losses	-78	79
Other financial expenses	514	4,594
Other financial income	-701	-82
Updating of the provisions (on onerous contracts)	3,484	10,200
Foreign exchange losses	0	753
<b>TOTAL FINANCIAL EXPENSES</b>	<b>27,539</b>	<b>42,141</b>

The "Charges from other financial liabilities" heading mainly covers interests on loans contracted by Finpipe EIG. Note 20 "Current and non current financial liabilities" contains all the information relating to these loans (rates, period, amounts...).

The "Financial charges from finance leases" heading covers the financial charges relating to finance leases commented under note 9.

The "Other financial income/expenses" heading covers the following elements:

- impairment losses charged to receivables other than trade receivables or the other current assets;
- the other financial expenses, including expenses that are considered as financial instruments and dealt with according to the IAS 32 and 39 Standards as from 2005 (note 31);

- the result of the adjustment of certain provisions, mainly those covering onerous contracts in accordance with IAS 37 (note 17);
- foreign exchange losses, relating to the effect of the measurement of balance sheet items at the closing rate.

It should finally be noted that as from the 1st of January 2005, certain expenses, considered as financial according to Belgian accounting policy and therefore dealt with as such in the comparative 2004 accounts are reassigned and requalified as "Other operating expenses".

The financial expenses incurred by the adjustment of certain provisions are down considerably on the previous period (-6.72 million euro), following the movements recognised on the qualified provisions of onerous contracts that are stated in note 7.

## Note 31

# Derivative financial instruments

The company's use of financial instruments and the related accounting policies are explained under the heading "Summary of significant accounting policies". The disclosures below are only related to derivative instruments. Disclosures with respect to other financial instruments (for instance available for sale assets, loans, trade debtors and creditors) are included under the appropriate headings.

## 1. OVERVIEW

Amounts shown in the table below represent the fair values of the derivatives presented on the balance sheet at 31 December 2005. Distinction is made between commodity, currency and interest rate derivatives.

(in thousand euro)	Fair value Current	Fair value Non-Current	Fair value Total
<b>ASSETS</b>	<b>224,788</b>	<b>47,866</b>	<b>272,654</b>
Commodity derivatives	223,329	30,111	253,440
Currency derivatives	1,459	17,755	19,214
Interest rate derivatives	0	0	0
<b>LIABILITIES</b>	<b>268,475</b>	<b>49,588</b>	<b>318,064</b>
Commodity derivatives	267,734	45,570	313,304
Currency derivatives	212	0	212
Interest rate derivatives	529	4,018	4,548
<b>ASSETS minus LIABILITIES</b>	<b>-43,687</b>	<b>-1,722</b>	<b>-45,410</b>

The fair values are calculated as the present value of the volume times the difference between the contract price and the corresponding forward market prices at year-end. The market prices are based upon external price quotations of the corresponding organised active market. Credit and liquidity risks are taken into account when calculating the fair value amounts. In case of options, the Black '76 model is used to calculate the fair value. Due to the complex nature of pricing formulas in certain sales contracts the fair values of certain embedded derivatives are based upon management's estimates, taking into account all relevant current market and economic factors.

## 2. COMMODITY DERIVATIVES

The company purchases and sells physical gas under short- and long-term contracts. All of its long-term purchase contracts and most of its shorter term physical purchase and sales contracts were entered into and continue to be held for the purpose of receipt or delivery of gas in line with the company's expected purchase, sale or usage requirements. These contracts qualify for the 'own-use' treatment and are not within the scope of IAS 39. However under IAS 39 the company is also required to assess own use contracts to determine whether they contain embedded derivatives.

Commodity contracts that do not qualify for the 'own use' treatment and embedded derivatives that are not closely related to the host contract are recognised as assets or liabilities on the balance sheet and measured at fair value.

The fair values, together with the maturity and the notional amounts of commodity derivatives are shown in the table below.

	Maturity	Net notional amount	Fair value (in thousand euro)		
			Current	Non current	Total
Physical derivatives	2006-2008	-9.4 TWh	-90,675	-4,973	-95,648
Financial derivatives	2006-2008	3.1TWh	25,287	-3,106	22,181
Embedded derivatives	2006-2008	-24.2 TWh	-1,799	-10,525	-12,324
<b>Economic hedges</b>	<b>2006-2008</b>	<b>-30.5 TWh</b>	<b>-67,187</b>	<b>-18,604</b>	<b>-85,791</b>
Cash flow hedges	2006-2008	0.0 TWh	14,816	2,385	17,202
Proprietary trading	2006-2007	-0.5 TWh	7,966	760	8,726
<b>Total</b>	<b>2006-2008</b>	<b>-31.0 TWh</b>	<b>-44,405</b>	<b>-15,459</b>	<b>-59,863</b>

## 2.1. Economic hedges

Although natural hedging positions are established as much as possible, the company is exposed to fluctuations in commodity prices and changes of volume forecasts. The different exposures are monitored, reported and managed at the portfolio level in order to take advantage of offsetting positions per commodity, market location and time bucket.

In accordance with the company's risk management policies, physical and financial derivatives are entered into which economically hedge the remaining net portfolio exposure. As portfolio hedge accounting is not allowed by IAS 39, these positions are recognised on the balance sheet at fair value with changes in fair value recorded in the income statement. The table below summarizes the net change in fair value of -75.31 million euro included in the income statement during the year ended 31 December 2005.

(in thousand euro)	31 December 2005 Fair value			1 <sup>st</sup> January 2005 (*) Fair value	Change in fair value
	Current	Non-current	Total	Total	Total
Physical derivatives	-90,675	-4,973	-95,648	9,012	-104,660
Financial derivatives	25,287	-3,106	22,181	3,061	19,120
Embedded derivatives	-1,799	-10,525	-12,324	-22,556	10,232
<b>TOTAL</b>	<b>-67,187</b>	<b>-18,604</b>	<b>-85,791</b>	<b>-10,483</b>	<b>-75,308</b>

(\*) The company adopted IAS 32 and IAS 39 from 1 January 2005.

Over-the-counter physical gas forwards and options are used to reduce the net volume exposure (peak and off-peak) coming from the overall portfolio and not from individual or group of contracts. During 2005 gas price volatility resulted into significant negative changes in fair value (-104.66 million euro) having a material impact on the company's result for the period. It is however important to emphasize that these amounts relate to unrealised losses. The realised results of these transactions that will eventually be recorded in the income statement are determined by the overall situation of the company's gas portfolio position at the settlement date as well as their relevant market prices.

The contract prices of own use gas purchase and sales contracts are mainly indexed to prices of oil and oil refined products. To manage this exposure the company uses floating to fixed oil swaps which create offsetting financial positions towards the oil exposure coming from the overall portfolio. Although they represent hedges in economic terms, the oil swaps do not qualify as hedges under IAS 39 since the oil indexation in contract prices cannot be designated as the hedged item in a cash flow hedge. The change in fair value of these derivatives recorded in the income statement for the year ended 31 December 2005 amounted to 19.12 million euro.

In addition to the physical and financial commodity derivatives, the company has identified embedded price caps/floors and foreign exchange derivatives in sales contracts which are not regarded as closely related to its host contract under IAS 39. Consequently these embedded derivatives are recognised on the balance sheet with changes in fair value recorded in the income statement. A net gain is included in the income statement for the year 2005 amounting to 10.232 kEUR.

## 2.2. Cash flow hedges

During 2005 the company has designated certain forward purchase and sales contract as cash flow hedges to hedge against changes in the amount of future cash flows. The transactions meet the IAS 39 cash-flow hedge criteria whereby the changes in fair value of these transactions are recorded in equity until the period of delivery to the extent the hedges are shown to be effective. No hedge ineffectiveness related to the cash flow hedges occurred during 2005. At 31 December 2005 the maximum length of time over which the company is hedging its exposure to the variability in cash flows is three years.

The net realised gain removed from equity and included in the income statement for the year-ended 31 December 2005 amounted to 4.94 million euro. Gains and losses (before taxes) recorded under equity during the year 2005 amounted to 22.14 million euro. The fair value (before taxes) included in equity at 31 December 2005 amounts to 17.20 million euro.

## 2.3. Proprietary trading

Within the context of internal risk policies and procedures, the company has entered into a number of physical forwards for trading purposes. These transactions are closely monitored and generate a limited exposure. The net gain from trading energy derivatives included in the operating result for the year ended 31 December 2005 amounts to 10.23 million euro.

The market exposure of the proprietary trading activity is monitored and controlled using a number of different risk measures of which one is the Value at risk ("Var") method. The fair value of financial assets and liabilities held for trading purposes amounts to 8.73 million euro at year-end.

### 3. CURRENCY AND INTEREST RATE DERIVATIVES

Most of the long term purchase contracts and sales contracts to industrial customers, power producers or resellers are denominated in EUR, the functional currency of the company. The company is exposed to USD and GBP foreign exchange rates mainly arising from over-the-counter hedging transactions in GBP, a long-term purchase contract in USD and a financial participation generating proceeds denominated in USD. To hedge the latter exposure in USD, the company has entered into forward exchange contracts. Although the contracts to a large extent offset the expected USD exposure, they do not meet the hedge effectiveness criteria under IAS 39.

Interest rate swaps and caps are used to minimise total financing costs and to manage the company's exposure to interest rate risk. Taking into account these instruments, approximately 70% of the outstanding gross debt at 31 December 2005 has a fixed interest rate.

The notional amounts and maturities of the financial derivatives that are used to mitigate the company's currency and interest rate risk are shown in the table below.

#### Segmentation: by activity

(in thousand euro)	Notional amounts per maturity date at 31 December 2005						
	2006	2007	2008	2009	2010	> 2010	Total
<b>Currency derivatives</b>							
Forward exchange contracts (USD)	16,200	7,200	7,200	7,200	7,200	68,400	113,400
Options (USD)	15,000						15,000
<b>Interest rate derivatives</b>							
Interest rate swaps (receiving fix -5.19%)	31,978	42,637	53,297	44,125	34,952	49,826	256,815
Interest rate cap (7% strike)	19,831	9,915					29,746

The change in fair value of the currency and interest rate derivatives recorded in the income statement for the year ended 31 December 2005 amounted to -11.36 million euro.

The table below shows the fair value (expressed in thousand euro) of the foreign exchange and the interest rate derivatives at year-end.

(in thousand euro)	Fair values per maturity date at 31 December 2005						
	2006	2007	2008	2009	2010	> 2010	Total
Currency derivatives	1,247	1,220	1,238	1,263	1,287	12,746	19,002
Interest rate derivatives	-529	-613	-750	-886	-681	-1,088	-4,548
<b>Total</b>	<b>718</b>	<b>607</b>	<b>488</b>	<b>377</b>	<b>606</b>	<b>11,658</b>	<b>14,455</b>

#### 4. COUNTERPARTY RISK

Credit risk reflects the loss that can be incurred as a result of a counterparty being unable to meet its obligations. The company manages credit risk by establishing internal credit lines for counterparties based upon their financial position and credit rating, by continuously monitoring credit exposure for counterparties and by requiring bank guarantees, collateral and by negotiating netting agreements. Netting agreements are used where multiple transactions are undertaken with a single counterparty or group of related counterparties and allow netting of positive and negative credit exposures. Where possible the company makes use of standardised agreements, typically "Zeebrugge Hub Natural gas Trading terms and conditions" and "NBP Trading terms and conditions".

At 31 December 2005 netting agreements reduce the company's credit exposure to derivative instruments to an amount of 63.65 million euro whereby more than 90% of the company's residual credit exposure is with investment-grade counterparties as shown below:

[in thousand euro]	31 December 2005	
	Investment-grade (*)	Total
<b>Total</b>	<b>58,218</b>	<b>63,646</b>

(\*) The "Investment Grade" column includes transactions with counterparties with a minimum Standard & Poor's or Moody's rating of BBB- or Baa3 respectively, or an equivalent Dun & Bradstreet rating. "Investment Grade" status is also determined using publicly available credit ratings, and taking into account collateral, letters of credit, bank and parent company guarantees and pledged assets.

## Note 32

## Profit and loss of the period

(in thousand euro)	Current Period	Previous Period
<b>Operating result (EBIT) (note 28)</b>	<b>366,190</b>	<b>306,375</b>
<b>Earnings from ordinary activities</b>	<b>283,784</b>	<b>306,375</b>
<b>Net financial earnings</b>	<b>13,057</b>	<b>1,465</b>
<b>Share in the net result of associates accounted for under the equity method</b>	<b>67</b>	<b>40</b>
<b>Pre-tax earnings</b>	<b>296,908</b>	<b>307,880</b>
<b>Tax charge on the result</b>	<b>-89,305</b>	<b>-96,747</b>
<b>Profit and loss of the period</b>	<b>207,603</b>	<b>211,133</b>
Share of minority shareholders	4,298	9,201
<b>Net earnings, group share</b>	<b>203,305</b>	<b>201,932</b>

## Earnings from ordinary activities

The earnings from ordinary activities is down by 22.59 million euro on 2004, as the increase in the EBIT suffered from the unfavourable impact of the recognition of the negative change of the fair value of the financial instruments, within the framework of the first application of the IAS 32 and IAS 39 standards.

## Net financial earnings

The net financial earnings is up by 11.59 million euro on the previous period under the combined effect of a positive change impact and the increase of dividends received on the participating interests available for sale, in particular those paid the Interconnection (UK) Ltd. following the successive increases in the percentage of participating interest held by the Company.

## Taxes

The tax charges amount to 89,31 million euro and are down on the 2004 figures as a result of the fall in the pre-tax earnings. The average tax rate remains stable compared with that of the previous period.

## Net earnings of the period

The net earnings of the period are down slightly on the 2004 figures, amounting to 207.60 million euro at the close.

The reduction in the share of third parties in this result, of 4.90 million euro, can be explained by the fact that the ETAC BV joint enterprise, in which the Company holds joint control with Gaz de France and that is consolidated according to a proportional integration method, only carried out one single quarter of activities in 2005 compared with a full year in 2004.

The share of the Group in the result therefore stands at 203.31 million euro at the close of the financial year.

## Note 33

# Related parties

The Company is part of the SUEZ Group.

In accordance with IAS 24, transactions between the Company and its subsidiaries have been eliminated during the consolidation operations (intragroup transactions) and are consequently not mentioned in this note.

Transactions between the Group and the other parties, all belonging to the SUEZ Group and considered as related within the meaning of IAS 24, are set out below.

Generally speaking, transactions between related parties are carried out at market prices, under the usual conditions of competition.

The unpaid amounts are not guarantees and are settled in cash.

No provision for bad debts has been set up for the amounts due by the related parties.

### 2005

	Nature of the relationship	Company of the group involved	Type of transaction for the Distrigas Group	Amount of the transactions (exclusive of VAT)	Outstanding balance at the end of the period	Price setting policies
(in thousand euro)						
Electrabel	Customer / Supplier	Distrigas	Turnover	1,838,876	428,003	(1)
Electrabel	Customer / Supplier	Distrigas	Cost of supplies	18,441	60,925	(1)
Electrabel	Customer / Supplier	Distrigas	Other operating expenses	2,976		(1)
Acea Electrabel Trading S.P.A.	Customer / Supplier	Distrigas	Turnover	0		(1)
TIS Ostend	Customer / Supplier	Distrigas	Turnover	2,444		(1)
Fluxys	Customer / Supplier	Distrigas	Turnover	34,905	11,223	(1)
Fluxys	Customer / Supplier	ETAC	Turnover	0		(1)
SUEZ LNG NA	Customer / Supplier	Distrigas & C°	Turnover	10,585		(1)
Fluxys	Customer / Supplier	Distrigas	Cost of supplies	266,090	27,490	(2)

	Nature of the relationship	Company of the group involved	Type of transaction for the Distrigas Group	Amount of the transactions (exclusive of VAT)	Outstanding balance at the end of the period	Price setting policies
(in thousand euro)						
Fluxys	Customer / Supplier	Distrigas & C°	Cost of supplies	10,266		(1)
Fluxys	Customer / Supplier	Distrigas	Other operating expenses	3,776	2,333	(1)
Fluxys	Lessor / Lessee	Finpipe	Finance income from finance leases	10,864	173,166	(5)
Fluxys	Lessor / Lessee	Distrigas & C°	Financial charges from finance leases	10,863	169,906	(5)
Fluxys LNG	Customer / Supplier	Distrigas	Cost of supplies	46,719		(1)
Segeo	Customer / Supplier	ETAC	Cost of supplies	2,227		(1)
Association Luxembourg	Lender/ Borrower	Distrigas	Gains on investments	4,411	438,652	(3)
Association Luxembourg	Lender/ Borrower	Distrigas & C°	Gains on investments		223,867	(3)
EFTM Luxembourg	Lender/ Borrower	Distri Ré	Gains on investments	195	0	(3)
SUEZ-Tractebel	Lender/ Borrower	ETAC	Gains on investments		12,945	(3)
SUEZ-Tractebel	Lender/ Borrower	Distri Ré	Gains on investments	2,607	133,067	(3)
SUEZ-Tractebel	Lender/ Borrower	Finpipe	Charges from the other financial receivables	1,927	82,025	(4)
EFTM Luxembourg	Lender/ Borrower	Distrigas	Gains on investments	1,796	0	(3)
Cosutrel	Lender/ Borrower	Finpipe	Charges from the other financial receivables	1,838	39,367	(4)
Fluxys LNG	Reservation of capacities at the Zeebrugge terminal in 2007.	Distrigas	Granting of a guarantee	0	17,100	(5)

(1) The price agreed between the parties was set under the usual conditions of competition.

(2) The price agreed between the parties was set in accordance with the rate decreed by the regulatory authorities.

(3) Gains on investments determined under the usual conditions of competition.

(4) Cost of the financing determined under the usual conditions of competition.

(5) The conditions of the contract were set under the usual conditions of competition.

2004

	Nature of the relationship	Company of the group involved	Type of transaction for the Distrigas Group	Amount of the transactions (exclusive of VAT)	Outstanding balance at the end of the period	Price setting policies
(in thousand euro)						
Electrabel	Customer / Supplier	Distrigas	Turnover	1,569,828	325,453	(1)
Electrabel	Customer / Supplier	Distrigas	Cost of supplies	20,871	33,227	(1)
Electrabel	Customer / Supplier	Distrigas	Other operating charges	2,465		(1)
Acea Electrabel Trading S.P.A.	Customer / Supplier	Distrigas	Turnover	11,165		(1)
TIS Ostend	Customer / Supplier	Distrigas	Turnover	1,925		(1)
Fluxys	Customer / Supplier	Distrigas	Turnover	24,506	19,870	(1)
Fluxys	Customer / Supplier	ETAC	Turnover	4,275		(1)
SUEZ LNG NA	Customer / Supplier	Distrigas & C°	Turnover	10,491		(1)
Fluxys	Customer / Supplier	Distrigas	Cost of supplies	265,233	23,117	(2)
Fluxys	Customer / Supplier	Distrigas & C°	Cost of supplies	41,164		(1)
Fluxys	Customer / Supplier	Distrigas	Other operating charges	1,968	2,337	(1)
Fluxys	Lessor / Lessee	Finpipe	Finance income from finance leases	17,232	135,320	(5)
Fluxys	Lessor / Lessee	Distrigas & C°	Finance charges from finance leases			(5)
Fluxys LNG	Customer / Supplier	Distrigas	Cost of supplies	49,398		(1)
Segeo	Customer / Supplier	ETAC	Cost of supplies	10,634		(1)
Association Luxembourg	Lender/ Borrower	Distrigas	Gains on investments	6,899	205,346	(3)
Association Luxembourg	Lender/ Borrower	Distrigas & C°	Gains on investments		123,372	(3)

	Nature of the relationship	Company of the group involved	Type of transaction for the Distrigas Group	Amount of the transactions (exclusive of VAT)	Outstanding balance at the end of the period	Price setting policies
(in thousand euro)						
EFTM Luxembourg	Lender/ Borrower	Distri Ré	Gains on investments		10,145	(3)
SUEZ-Tractebel	Lender/ Borrower	ETAC	Gains on investments		8,302	(3)
SUEZ-Tractebel	Lender/ Borrower	Distri Ré	Gains on investments	2,467	120,108	(3)
SUEZ-Tractebel	Lender/ Borrower	Finpipe	Charges from the other financial receivables	2,114	91,995	(4)
EFTM Luxembourg	Lender/ Borrower	Distrigas	Gains on investments	2,068	115,000	(3)
Cosutrel	Lender/ Borrower	Finpipe	Charges from the other financial receivables	2,084	45,190	(4)
Fluxys LNG	Reservation of capacities at the Zeebrugge terminal in 2007.	Distrigas	Granting of a guarantee	0	17,100	(5)

(1) The price agreed between the parties was set under the usual conditions of competition.

(2) The price agreed between the parties was set in accordance with the rate decreed by the regulatory authorities.

(3) Gains on investments determined under the usual conditions of competition.

(4) Cost of the financing determined under the usual conditions of competition.

(5) The conditions of the contract were set under the usual conditions of competition.

## Note 34

# Remuneration of directors

The table below shows the (accumulated) remunerations of the Managing Director and of the Management team, who should be considered as the "main directors" in line with the definition of IAS 24.

(in thousand euro)	Current Period	Previous Period
Short-term benefits	1,539	1,497
Post-employment benefits	381	478
<b>TOTAL</b>	<b>1920</b>	<b>1 975</b>

As regards the supplementary pension, an application formula exists within the Gas and Electricity sector for the members of the Company's management. This formula offers managers with a full career behind them an annuity, including the statutory pension, of 75% of the last fixed salary. This annuity is capitalised and capped.

Furthermore, the total of the gross emoluments that were paid to the directors during the period amounts to 236,000 euro (204,000 euro at the close of the previous period).

These emoluments were granted in accordance with the provisions (as regards the total amount to be paid annually) decided by the General Meeting of Shareholders.

No directors' percentage of the profits were allocated and the company did not grant any loan to the directors.

The directors did not carry out any unusual transaction with the Company.

The directors do not receive any directors' fees and cannot receive any shares or share options.

The reader may also refer to the "Corporate Governance" chapter of the annual report or to the "Corporate Governance Charter" adopted by the Board of Directors in its session of 21/12/2005 in particular by consulting the chapters relating to "Management" (p. 40), the "Remuneration Policy" (p. 49) or the "Directors Remuneration Policy" (p. 22).

### Other related parties

The Company paid during the period a sum of 300,000 euro to the company J.V. CONSULT created by Mr Jean Vermeire, Distrigas General Manager until 1 February 2005 and advisor to the CEO since then.

## Note 35

# Earnings per share

(in thousand euro)	Current Period	Previous Period
<b>EARNINGS PER SHARE (in accordance with IAS 33)</b>		
Profit or loss for the period	207,603	211,133
Minority interest share in the result	-4,298	-9,201
	<b>203,305</b>	<b>201,932</b>
Number of shares (in thousands) (weighted average)	703	703
Earnings in EUR/share	289.20	287.24

The calculation of the basic earnings per share was carried out in accordance with IAS 33 by dividing the Group's profit or loss by the weighted average of the number of ordinary shares issued.

The profit or loss for the period represents that of the activities pursued in their totality and consequently, no calculation of the earnings per share for abandoned activities must be carried out.

### Impact of the changes in the accounting policies

As mentioned in note 1, the period under review was characterised by the first application of the IAS 32 and 39 standards.

Insofar as these changes had an impact on the earnings of the 2005 period, they naturally also had an impact on the earnings per share as given in this note.

The table below summarises this impact.

(en euros)	Current Period
<b>First application of IAS 32 and 39</b>	<b>-110.86</b>

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## Note 36

# Dividends

On the 18<sup>th</sup> of May 2005, a gross dividend of 152 euro per share (i.e. a net dividend of 114 euro after deducting the withholding tax of 25% or 38 euro was paid to the shareholders (i.e. 106,80 million euro paid as dividends for the 2004 period).

In May 2004, the company had allocated an amount of 101.40 million euro as dividends for the 2003 period, i.e. a gross amount of 144.32 euro per share (net of 108.24 euro).

For the period under review, in accordance with the statutory provisions, the company's management organs will propose to the general meeting of shareholders that a gross dividend of 178.50 euro per share be distributed on 09 May 2006 (net of 133.88 euro).

The total amount of the dividends to be paid for the 2005 period would therefore stand at 125.42 million euro, subject to approval by the general meeting of shareholders that will be held on 09 May 2006.

## Note 37

# Events after the balance sheet date

The consolidated financial statements were closed by the Board of Directors on the 1<sup>st</sup> of March 2005.

The consolidated financial statements were prepared on the basis of operating continuity.

No event or circumstance have occurred since the reporting date that is of a nature to question this hypothesis.

Similarly, no information has been received after the reporting date that is of a nature to lead to the updating of the information provided in the financial statements.

Consequently, there is no reason to adjust the amounts recognised in the financial statements, nor to update the information provided in this report.

## Note 38

# Contingent liabilities - contingent assets/liabilities - disputes

### Contingent liabilities

(in thousand euro)	Current Period	Previous Period
<b>LIABILITIES FOR PURCHASES AND SALES</b>		
Firm gas purchases	28,994,999	13,800,492
Future firm gas purchases	5,351,951	6,285,409
<b>BOND ON MARKETS AND PAYMENT GUARANTEES</b>		
Commitment made on energy trade activities	130,069	10,046
Commitment received on energy trade activities	99,460	101,270
<b>OTHER CONTINGENT LIABILITIES OR ASSETS</b>		
Other commitments received	17,100	17,100
<b>GUARANTEES GIVEN BY THIRD PARTIES ON BEHALF OF THE COMPANY</b>		
Rental guarantees	345	345
<b>DISPUTES (APPEALS BY THIRD PARTIES)</b>	<b>159</b>	<b>159</b>

### Contingent liabilities on purchases and sales

Within the framework of its normal activity, the Company has signed long-term contracts and so-called "take or pay" contracts, via which they make a firm commitment to buy or sell, and the third parties make a firm commitment to supply or buy determined quantities of gas.

These documents have been documented as being outside the field of application of IAS 39.

The main future contingent liabilities arising from the Company's contracts are valued at the spot closing rate or at the price agreed by the contracts if this is not exclusively market conditions and, in view of their maturity, are the sub-

ject of an adjustment on the basis of the rates of the SUEZ Group.

The "Firm gas purchases" heading therefore covers the sums due within the framework of a firm gas purchasing contract with quantities and at terms established in advance. These contracts are generally pluriannual.

The "future firm sales of gas" heading records the sums to be received within the framework of gas sale contracts for which the quantities and the terms and conditions are laid down contractually in advance.

### Bond on markets and payment guarantees

The "Contingent liabilities on energy trade activities" heading covers the amounts of the guarantee commitments on a contractual agreement made to the counter parties within the framework of the energy trade activity.

The "Contingent assets on energy trade activities" recognises the amounts of the guarantee commitments received from the counter parties on the contractual agreement, within the framework of the energy trade.

### Contingent assets/liabilities

At the close of the period under review, the Company has knowledge of no eventual assets or liabilities as defined by IAS 37, which it would be necessary to mention in the consolidated financial statements.

# Statutory Auditor's Report

## to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2005

To the Shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us.

We have audited the accompanying consolidated financial statements of DISTRIGAS NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2005, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 2,823,924 (000) EUR and a consolidated profit for the year then ended of 207,603 (000) EUR. We have also performed those specific additional audit procedures required by the Companies Code.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements and the directors' report on the consolidated financial statements, for the assessment of the information that should be included in the directors' report on the consolidated financial statements, and for the company's compliance with the requirements of the Companies Code and the articles of association. Our audit of the consolidated financial statements was conducted in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren".

### Unqualified audit opinion on the consolidated financial statements

The forementioned auditing standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In accordance with these standards, we considered the group's administrative and accounting organization as well as its internal control processes. We have obtained the explanations and information required for our audit. We have examined, on a test basis, the evidence supporting the amounts in the consolidated financial statements. We have assessed the basis of the accounting methods used, the consolidation policies and significant estimates made by management as well as evaluating the presentation of the consolidated financial statements taken as a whole. We believe that our audit, provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2005 and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

### Additional attestations

We supplement our report with the following attestations which do not modify our audit opinion on the consolidated financial statements:

The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principle risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

31 March 2006

The Statutory Auditor

DELOITTE Reviseurs d'Entreprises  
SC s.f.d. SCRL  
Represented by Jos Vlaminckx

# Balance sheet and income statement on 31/12/2005 (according to the Belgian standards)

The statutory financial statements of DISTRIGAS SA are presented in a short version. In accordance with the Belgian Code des Sociétés, the Director's report, the financial statements and the statutory auditor's report have been filed with the Banque Nationale de Belgique. They are avail-

able upon request at the following address : DISTRIGAS SA Communication Corporate & Marketing, 10, rue de l'Industrie 1000 Brussels. The statutory auditor has approved the statutory financial statements of DISTRIGAS SA without qualification.

## Balance sheet

### Assets

(in thousand euro)	31/12/2005	31/12/2004	Difference
<b>FIXED ASSETS</b>	<b>95,982</b>	<b>73,027</b>	<b>22,955</b>
Intangible assets	18	31	-13
Tangible assets	11,990	2,119	9,871
Financial assets	83,974	70,877	13,097
<b>CURRENT ASSETS</b>	<b>1,585,329</b>	<b>1,161,243</b>	<b>424,086</b>
Inventory and work in progress	138,475	87,256	51,219
Long-term receivables	928,748	573,220	355,528
Investments	500,407	489,493	10,914
Cash at bank and in hand	849	659	190
Deferred charges and accrued income	16,850	10,615	6,235
	<b>1,681,311</b>	<b>1,234,270</b>	<b>447,041</b>

### Liabilities

(in thousand euro)	31/12/2005	31/12/2004	Difference
<b>CAPITAL AND RESERVES</b>	<b>268,917</b>	<b>227,503</b>	<b>41,414</b>
Capital	66,228	66,228	
Share premium account	41	41	
Revaluation surpluses	1,494	1,494	
Reserves	199,233	158,233	41,000
Profit carried forward	1,921	1,507	414
<b>PROVISIONS AND DEFERRED TAXES</b>	<b>73,000</b>	<b>167,499</b>	<b>-94,499</b>
Provisions (for risks and charges)	73,000	167,499	-94,499
<b>AMOUNTS PAYABLE</b>	<b>1,339,394</b>	<b>839,268</b>	<b>500,126</b>
Long-term payables	9,759	9,485	274
Short-term payables	1,264,680	729,320	535,360
Accrued charges and deferred income	64,955	100,463	-35,508
	<b>1,681,311</b>	<b>1,234,270</b>	<b>447,041</b>

## Income statement

(in thousand euro)	31/12/2005	31/12/2004	Variation
Operating income	5,127,027	3,590,273	1,536,754
Operating charges	4,996,593	3,402,432	1,594,161
<b>Operating results</b>	<b>130,434</b>	<b>187,841</b>	<b>-57,407</b>
Financial income	142,616	40,736	101,880
Financial charges	29,853	19,539	10,314
<b>Financial result</b>	<b>112,763</b>	<b>21,197</b>	<b>91,566</b>
<b>Profit on ordinary activities before taxes</b>	<b>243,197</b>	<b>209,038</b>	<b>34,159</b>
Extraordinary income	8	0	8
Extraordinary charges	178	166	12
<b>Extraordinary result</b>	<b>-170</b>	<b>-166</b>	<b>-4</b>
<b>Profit before taxes</b>	<b>243,027</b>	<b>208,872</b>	<b>34,155</b>
<b>Income taxes</b>	<b>-76,193</b>	<b>-66,991</b>	<b>-9,202</b>
<b>Profit for the year</b>	<b>166,834</b>	<b>141,881</b>	<b>24,953</b>
<b>Profit for the year available for appropriation</b>	<b>166,834</b>	<b>141,881</b>	<b>24,953</b>