



distrigas

Management Report

2010¹

Board of Directors
8 March 2011

This is a translation from French / Dutch versions

¹ February 2010 till December 2010.

For ease of comparison, the presentation of the accounts for the 2010 financial year (pro forma) includes two account closing dates, namely 31/01/2010 and 31/12/2010.

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Management Report – 11th Financial Year
(February 2010 till December 2010)

**Report for the Annual General Shareholders' Meeting
on 20 April 2011**

Shareholders' Guide

Shareholders' Calendar

20 April 2011 > Annual General Shareholders' Meeting

27 April 2011 > Payment of dividend

Dividend per share (in euros)

A total dividend of 252 million euros will be distributed (11th financial year).

Since the opening up of the energy markets, Distrigas has established itself as a reference player in the natural gas trade in Western Europe.

Distrigas sells natural gas to:

- *industrial consumers and the commercial and tertiary sector*
- *natural gas resellers*
- *electricity producers*

Distrigas is also active in:

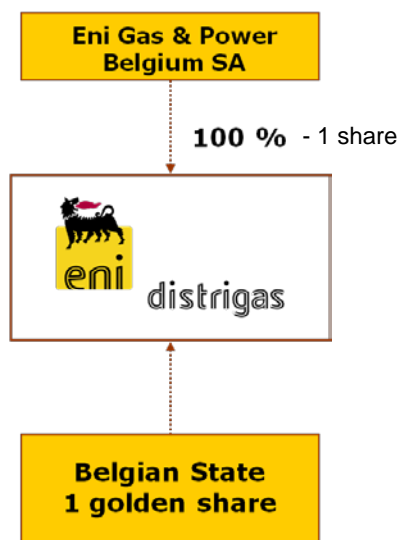
- *arbitrage (trading) of natural gas*
- *sale and transport of LNG (liquefied natural gas)*

Distrigas offers its customers a wide range of flexible and tailor-made services to ensure a reliable supply of natural gas at a competitive price.

Distrigas is part of the Eni Group, one of the most important integrated energy companies in the world. With a presence in more than 70 countries, Eni employs 78,000 people in the fields of oil, gas and electricity production, petrochemicals, construction and industrial engineering. The group holds a leading position worldwide in each of these fields.

Shareholder Structure

The shareholder structure of Distrigas SA as of 31 December 2010 is as follows:



Key Events 2010 (Feb – Dec)

April 2010 – Disposal of the shares held in Distri RE sa

This reinsurance subsidiary, incorporated under the laws of Luxembourg, was sold at the end of April 2010, generating a capital gain of around 225 million euros.

August 2010 - Distrigas moved to new offices on the rue Guimard

At the beginning of August, Distrigas and its various services moved to new offices in rue Guimard. Other entities of the Eni Group located in Brussels will move to the same address during 2011.

Distrigas on the European market Much more than just gas

A reliable supply of natural gas at competitive prices: that, in a nutshell, is what Distrigas stands for.

The supply is based on a diversified portfolio of long-term contracts, supplemented by purchases on the short-term market. In this way, Distrigas offers its customers continuity as well as the sufficient flexibility they require.

But Distrigas is much more than just a supplier of natural gas.

Distrigas also offers its customers the chance to optimise their energy consumption and tailor-made prices geared to their company profile and risk policy.

Security of supply

Security of supply is becoming a major challenge for Europe and is also of the utmost importance for individual consumers

Long-term purchase contracts, which allow the company to cover 100% of its needs, form the backbone of the Distrigas supply portfolio and guarantee the security of supply and flexibility for our customers and the competitiveness of our prices, based on periodic price renegotiations depending on market developments. Sources of supply are spread geographically and not only include natural gas supplied via pipelines, but also LNG (liquefied natural gas).

Diversified supply

Distrigas has always stood out with its dynamic market approach.

Numerous new services can be cited as evidence of this, namely price engineering, development of advanced technical services, and new applications to further enhance the extranet for customers' use. Customers can choose from a broad range of price formulae to suit their specific requirements and risk profile. These formulae vary from a fixed price to various forms of floating prices, with options to fix prices for the entire duration of the contract or to switch to a floating price formula with a different parameter.

Customisation

Distrigas is committed to supporting its customers.

Distrigas assists its customers proactively with their energy management and gears its services closely to their needs and requirements. Its Key Account Managers and Customer Support employees work to tailor the company's solutions and services to meet customers' characteristics, their long-term objectives, the complexity of their energy management, and the risks that they are willing to accept.

Rational Use of Energy (RUE)

Over 25 years experience in RUE.

Distrigas Gas Services has extensive experience in monitoring and optimising energy use in industry. Customers may choose from a wide range of energy measurements, audits, expert opinions and training courses to manage their energy consumption and to keep their production costs down.

European sales

Since the gas market was first opened up, Distrigas has extended its sales to include surrounding countries.

As a dynamic player, Distrigas has thus made an active contribution to the effective liberalisation of the European natural gas market. With major contracts in the Grand-Duchy of Luxembourg, France, the Netherlands and Germany, Distrigas offers services at all of the European sites of its industrial clients. Distrigas customers may also opt for a multi-country contract.

Natural gas sales²

In TWh	31.12.2010	31.12.2009	Evolution
Resellers	49.7	59.4	- 16.3 %
Industry	44.5	37.5	+ 18.7 %
Power plants	23.3	18.7	+ 24.6 %
Sales in Belgium	117.5	115.6	+ 1.6 %
Sales outside Belgium	26.7	25.5	+ 4.7 %
Arbitrage	30.5	42.0	- 27.4 %
Sales outside Belgium and arbitrage	57.2	67.5	- 15.3 %
Total	174.7	183.1	- 4.6 %
Total in billion m ³ (1 m ³ (n) = 0.01163 MWh)	16.5	17.3	- 4.6 %

In 2010 the gas markets continued to suffer a significant reduction in demand as a consequence of the global economic recession which started at the end of 2008. The European market was characterized by a huge supply surplus in the short term (further reinforced by the rapid increase of LNG supply).

In such a competitive environment, there were fewer arbitrage opportunities in 2010 (-27.4%). On the other hand, sales in Belgium and abroad increased in comparison with 2009 (+1.6% and +4.7% respectively); as a result Distrigas' total sales fell by only 4.6% in comparison with the previous year.

Sales in Belgium

Sales to Resellers

Resellers sell to residential and commercial consumers as well as to small industrial clients. Distrigas sales in this segment decreased by 16.3% in comparison to 2009, despite the cold winter in 2010 (temperatures have a significant impact on residential consumption, since these consumers mainly use natural gas for domestic heating). This fall in sales was mainly attributable to the strong competitive pressures which are becoming increasingly marked in this sector, and the fact that Electrabel is increasingly obtaining its supplies from within the GDF SUEZ Group.

² For ease of comparison, the presentation of the accounts for the 2010 financial year (pro forma) includes two account closing dates, namely 31/01/2010 and 31/12/2010.

Sales to industry

Sales to industrial customers increased by 18.7% in comparison with 2009. The economic recovery, following the recession which affected industrial customers in 2008–2009, had a positive impact on Distrigas sales in 2010 (the natural gas consumption of our customers increased). In addition, we acquired new customers, despite the very competitive environment.

Sales to power plants

Sales of natural gas for the production of electricity were 24.6% higher than in 2009, due mainly to the economic recovery following the recession. However, this increase was also strongly influenced by the North Sea maintenance work carried out in 2009, which had adversely affected Distrigas sales during that period.

Sales outside Belgium and arbitrage sales

Sales outside Belgium and arbitrage sales amounted to 57.2 TWh, i.e. 5.4 billion m³ and down by 15.3% on 2009. However, this decline was entirely due to arbitrage activities (- 27.4%), whereas sales outside Belgium increased by 4.7%, boosted by the economic recovery following the recession in 2008–2009.

2009 had been a fairly exceptional year from the point of view of arbitrage transactions, since Distrigas had succeeded in selling on the short-term markets (NBP and Zeebrugge) volumes not used by consumers as a result of the recession. On the other hand, there were very few arbitrage opportunities in 2010 because of market conditions.

In France, the Netherlands and Germany, the economic recovery and the acquisition of new customers enabled Distrigas to increase its sales in comparison with 2009.

As regards arbitrage sales of liquefied natural gas, three cargoes of LNG were negotiated in 2010, compared to four in 2009. As in 2009, the global recession, combined with the launch of new liquefaction capacities, the sharp increase in the production of shale gas and low prices on the American market resulted in a surge in cargoes on the European market, which helped to push spot market prices down.

Summary of Annual Financial Statements for Distrigas sa

(in accordance with Belgian GAAP)

In accordance with the Belgian Companies Code, the Board of Directors is pleased to present the annual accounts as of 31 December 2010 for approval by the General Assembly.

Distrigas statements are prepared in accordance with the Belgian accounting standards.

Key figures (in million euros)

	31/01/2010	01/02/2010- 31/12/2010	31/12/2010 (Proforma) ³	31/12/2009	Variation 2010/2009
Turnover	869.99	7,110.82	7,980.81	8,361.39	-380.58
Operating result before tax	69.75	304.61	374.36	331.00	43.36
Operating result after tax incl. merger premium	46.59	1,445.09	1,491.68	225.82	1,265.86
Equity capital	634.28	1,818.80	1,818.80	589.32	1,229.48
Fixed assets	80.87	67.07	67.07	80.96	-13.89

Summary of Distrigas sa income statement

(in mio €)

	31/01/2010	01/02/2010- 31/12/2010	31/12/2010 ⁴ (Proforma)	31/12/2009	Variation 2010/2009
Turnover	869.99	7,110.82	7,980.81	8,361.39	-380.58
Operating result before tax	78.67	297.84	376.51	600.70	-224.19
Operating result after tax incl. merger premium	-8.92	6.77	-2.15	-269.70	267.55
Equity	69.75	304.61	374.36	331.00	43.36
Fixed assets	0.00	1,212.06	1,212.06	0.00	1,212.06
<i>Transfer capital gains tax Distri Re</i>		225.00	225.00		
<i>Merger premium⁵</i>		987.33	987.33		
<i>Other exceptional profits</i>		-0.27	-0.27		
Tax on result	23,16	71,58	94,74	105,18	-10,44
Operating result after tax incl. merger premium	46.59	1,445.09	1,491.68	225.82	1,265.86
Net profit	46.59	457.76	504.35		
Merger premium		987.33	987.33		

³ For ease of comparison, the presentation of the accounts for the 2010 financial year (pro forma) includes two account closing dates, namely 31/01/2010 and 31/12/2010.

⁴ See footnote 3.

⁵ Surplus generated at the time of the Distrigaz/Transfin/Sofipar merger and recorded in the accounts as an extraordinary profit in accordance with article 78 §7 b of the RD of 30/01/2001, representing the difference between the various elements of the equity capital of Sofipar and Transfin absorbed by Distrigaz on 01/02/2010 and the acquisition value of these financial interests in the accounts of Distrigaz on the same date.

Posting of Distrigas SA profit (in million euros)

	31/01/2010	01/02/2010 - 31/12/2010	31/12/2010 (Proforma)⁶	31/12/2009	Variation 2010/2009
Result to be appropriated	190.80	1,628.04	1,628.04	249.21	1,378.83
Result of the financial year	46.59	1,445.09	1,491.68	225.82	1,265.86
Profit carried forward from the previous financial year	144.21	182.95	136.36	23.39	112.97
Appropriation	190.80	1,628.04	1,628.04	249.21	1,378.83
Available reserves	0.00	0.00	0.00	0.00	0.00
Legal reserve		1.65	1.65		1.65
Remuneration of capital	1.64	252.00	253.64	105.00	148.64
Balance carried forward	189.16	1,374.39	1,374.39	144.21	1,230.19

⁶ See footnote 3.

Balance sheet of Distrigas SA as at 31 December 2010 (in thousands of euros)

Assets	31/01/2010	31/12/2010	31/12/2009	Variation
Fixed assets	80,871	67,068	80,957	-13,889
Intangible assets	524	314	543	-229
Tangible assets	7,447	1,590	7,526	-5,936
Financial assets	72,900	65,164	72,888	-7,724
Current assets	1,925,697	3,550,212	1,664,626	1,885,586
Stocks and contracts in progress	59,083	92,958	95,055	-2,097
Amounts receivable within one year	1,023,257	1,237,923	992,320	245,603
Short-term investments	769,323	2,196,771	504,264	1,692,507
Cash at bank and in hand	69,037	12,836	59,072	-46,236
Deferred charges and accrued income	4,997	9,724	13,915	-4,191
	2,006,568	3,617,280	1,745,583	1,871,697
Liabilities	31/01/2010	31/12/2010	31/12/2009	Variation
Capital and reserves	634,275	1,818,803	589,322	1,229,481
Capital	66,228	65,440	66,228	-788
Share premium account	41	41	41	0
Revaluation surplus	1,494	1,494	1,494	0
Reserves	377,353	377,443	377,353	90
Profit brought forward	189,159	1,374,385	144,206	1,230,179
Provisions and deferred taxes	100,340	131,349	98,415	32,934
Provisions for liabilities and charges	100,340	131,349	98,415	32,934
Debts	1,271,953	1,667,128	1,057,846	609,282
Creditors, amounts falling due within one year	1,263,199	1,663,403	1,045,054	618,349
Accruals and deferred income	8,754	3,725	12,792	-9,067
	2,006,568	3,617,280	1,745,583	1,871,697

Comments on the key figures and balance sheet on 31 December 2009⁷

Turnover (-4.6% or -381 million euros)

In 2010, turnover was 7,981 million euros, i.e. down by 381 million euros (-4.6%) on the previous financial year which ended on 31 December 2009.

The decline in turnover was due, on the one hand, to a drop in volumes sold, in particular in the arbitrage segment and, on the other hand, to a fall in selling prices in an increasingly competitive natural gas market.

Operating result (-37.3% or -224 million euros)

The operating result of 376 million euros is 224 million euros less than that recorded for the previous year (-37.3%), as a result of fewer arbitrage opportunities and increased competition on the natural gas market.

Financial result (+99.2% or +268 million euros)

The strong increase in the financial result was mainly due to the increase in income generated by the financial instruments used by the group to hedge against various risks arising from its commercial activities.

Net result (+123.3% or +279 million euros excluding the merger surplus)

The profit on ordinary activities before tax was 374 million euros, i.e. 43 million euros higher than in 2009. This increase was due to the improvement in the financial result (+268 million euros), partly offset by the fall in the operating result (-224 million euros).

The net result was 1,491 million euros in 2010. However, excluding the merger surplus generated by the absorption of Transfin and Sofipar, it would have amounted to 504 million euros, i.e. 279 million euros more than in 2009, given the extraordinary results recorded in 2010 (capital gain of 225 million euros on the sale of Distri RE SA shares) and a reduction in tax payments.

Appropriation of the result

On the basis of the accounts of Distrigas SA as of 31 December 2010, the profits to be carried forward from 31 December 2009 and the results of the merger operations with Transfin and Sofipar and the partial demerger with the creation of Distrigas LNG Shipping SA on 1st February 2010, the net profit to be appropriated amounts to 1,628.04 million euros.

In accordance with the provisions in the company's articles of association concerning the appropriation of the result, the Board of Directors will propose at the next General Meeting of Shareholders that this result should be appropriated as follows:

- the distribution of dividends at a total amount of 252 million euros;
- the transfer of 1.7 million euros to legal reserves;
- the balance of 1,374.4 million to be carried forward to the next financial year.

⁷ For ease of comparison, the presentation of the accounts for the 2010 financial year (pro forma) includes two account closing dates, namely 31/01/2010 and 31/12/2010.

Balance sheet

Total assets amounted to 3,617.28 million euros at the end of the financial year versus 1,745.58 at the end of 2009, i.e. up by 1,871.70 million euros.

It is to be noted that, as a result of the merger by absorption of Transfin and Sofipar by Distrigas and the partial demerger of the new entity to create Distrigas LNG Shipping SA (all with effect from 1st February 2010), the assets of Distrigas SA grew by around 965 million euros.

The sale of Distri RE, at the end of April 2010, resulted in an increase of 225 million euros in assets.

Over and above these major changes, the increase in total assets was mainly due to the increase in trade receivables and debtors, due in turn to the strong increase in prices at the end of 2010 in comparison with the same period of the previous year.

Cash flow statement for 2010

in million euros	31.12.2010	31.12.2009
Cash and cash equivalents at opening	563.33	335.69
Operating activities	557.20	638.61
Investments	229.11	-2.57
Financing	-96.04	-468.86
Currency exchange rates and perimeter changes	956.01	60.47
Net cash increase/decrease	1,646.28	227.65
Cash and cash equivalents at closure	2,209.61	563.33

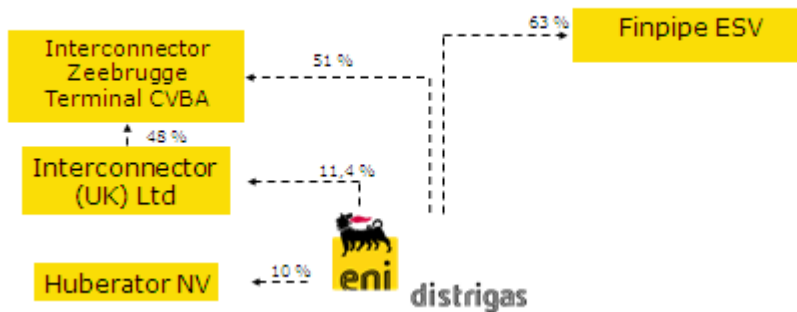
The cash position was 2,209.6 million euros at the end of the financial year, versus 563.3 million euros at the end of 2009 (+1,646.3 million euros).

The restructuring, effective 1st February, within the Distrigas Group (merger by absorption of Transfin and Sofipar by Distrigas and the partial demerger of the new entity to create Distrigas LNG Shipping) had an effect of 955 million euros on the cash position (included under "effects of foreign exchange and scope of consolidation changes").

The sale of Distri RE increased the cash position by 225 million euros (included under "treasury investments"). For the rest, the increase in the cash position can be explained by the operating result and the change in working capital, partially offset by the negative impact of the cash-flow of financing activities.

Activities and results of the subsidiaries

The Distrigas Group structure was as follows on 31 December 2010:



Finpipe GIE

(63.33% owned by Distrigas)

Finpipe GIE is the economic interest grouping formed in 1991 which owns the Zeebrugge-Blaregnies pipeline ('Troll', transit of Norwegian gas via Zeepipe) and the rTr pipeline linking Zeebrugge to Eynatten, with a branch running to Zelzate.

A leasing and operation agreement has been concluded with Fluxys for these pipelines up to 2012 ("Troll") and 2015 ("RTR") respectively.

The net profit for Finpipe for the financial year as of 31 December 2010 amounted to 5.79 million euros.

Huberator sa

(10 % owned by Distrigas)

Huberator, a subsidiary of Fluxys, operates the Zeebrugge Hub, the main short-term gas markets in Europe. Fluxys sa has a majority stake of 90% in Huberator.

Interconnector (UK) Ltd

(11.4 % owned by Distrigas)

Interconnector (UK) Ltd. (I(UK)) was set up by a consortium of European gas companies to build and operate the Interconnector pipeline between the British gas network (Bacton) and continental Europe (Zeebrugge).

Interconnector Zeebrugge Terminal srl

(51 % owned by Distrigas)

Interconnector Zeebrugge Terminal (IZT) owns and operates the Interconnector reception terminal in Zeebrugge.

The net profit of the financial year, ending on 30 September 2010, amounted to 0.34 million euros.

Events after the year-end date

Within the framework of the integration of Distrigas activities within the ENI Group, several projects will be implemented in the coming months, with the aim of making the Group more competitive on the European gas market. These include in particular the Pan-European gas marketing project, the integration of the supply portfolio and the centralisation of the ENI Group's trading activities – which are currently carried out by various group companies – within a single structure.

On the last point, it is to be noted that the boards of directors of Distrigas SA and Eni Trading & Shipping S.p.A. both approved, in mid-February 2011, a proposed transfer of business activities in accordance with articles 760 and following of the Belgian Code of Company Law.

This proposed transfer concerns all Distrigas SA's gas trading activities and the related control and support activities:

- gas trading (*Front Office*): proprietary trading and flow trading, execution trading and prompt trading ;
- controlling and monitoring the risk profile linked to trading activities (*Middle Office*);
- specific ICT systems and ICT services intended to support the Front Office and Middle Office activities.

The proposed transfer also involves twenty-five employees, specialised in this type of activity.

This transfer of business activities is due to be approved officially by an extraordinary general meeting of shareholders of Eni Trading & Shipping S.p.A. on 30 or 31 March 2011.

With effect from 1st April 2011, all transactions carried out by Distrigas SA relating to the business activities in question will be addressed from an accounting and direct tax point of view as being concluded on behalf of Eni Trading & Shipping S.p.A.

Given the proposed changes set out above, the Distrigas financial statements will be broken down according to activities and the company's assets and liabilities will be divided on the basis of objective, verifiable criteria, based on the elements of the results of the last two account closings on 31 January 2010 and 31 December 2010, in accordance with the company's cost accounting.

The assets transferred will consist of tangible and intangible assets, but above all short-term (customer) receivables and a share of cash assets and, to a lesser extent, payroll debts (in connection with the transfer of employees) and tax liabilities (corporate tax and VAT) linked to the aggregate results, from 2010, of the activities to the transfer date.

Distrigas equity capital will therefore be affected by the abovementioned transfer of assets and liabilities.

Main risks and uncertainties facing the Group

Operational, commercial and financial risks

The main risks and uncertainties to which Distrigas is exposed are: operational (balance between purchases and sales, producers' reliability of supply), commercial (energy price, credit risks) and financial (exchange rate and interest rate risks).

Company procedures set in order to cover the risks

To cover these risks, Distrigas has established procedures and put together specialist teams to monitor the various risk exposures on a continuous and centralised basis. Distrigas has also developed and continues to maintain the tools to cover or contain such risks.

Distrigas uses various financial instruments to cover itself against risks connected with these energy price fluctuations, as well as against exchange rate risks and interest rate fluctuations. These financial instruments are centrally managed by a Risk Management Committee (hereinafter referred to as "the Committee") in line with risk policy approved by the Board.

The Committee hence manages the following types of risk:

1.1 Exchange risk

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

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.

1.3. Market risks

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 approved by the Board - in order to control the impact of price fluctuations.

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.

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 in line with the risk policy approved by the Board for the amounts involved in arbitrage transactions.

Determination of turnover

In order to determine its turnover, Distrigas uses the direct measurement data for the majority of the major customers and consumption estimates in those segments where meters are only read once a year.

Since the market liberalisation process began, Distrigas has become dependent on information provided by the various network operators. Since final allocations of delivered quantities are sometimes only known after a delay of several months, the margin of uncertainty is now greater than in the past. Suitable measures are being taken to ensure that the risk is kept to a minimum.

The experience acquired by the network operators since the start of liberalisation should facilitate the return to a normal situation.

Price adjustment clauses in natural gas purchase contracts

In line with the sector practice, the gas purchase contracts of Distrigas contain clauses which allow for the periodical revision of the commercial conditions, notably the price conditions. Related negotiations can last longer than the fiscal year.

In this scenario, a provision for the impact of the result of these negotiations on the financial year's result, insofar as they will be potentially negative, may be created in accordance with the rules of accounting law, using estimation techniques intended to assess as accurately as possible the scope of these potentially negative effects.

Consequently, price adjustments resulting from the formal and contractual implementation of the outcome of these negotiations may affect the cost of gas purchases during subsequent periods.

Tax disputes

At the end of 2007, the tax authorities contested the tax exemption in Belgium of certain revenues received in Luxembourg by Distrigas, which considers that these fall within the scope of the provisions of articles 7 and 23 §2,1° of the Belgo-Luxembourg Double Taxation Treaty (DTT) of 17/09/1970.

The differences of interpretation concern certain revenues generated during four tax assessment years (2005, 2006, 2007 and 2008), accounts closed on 31/12/2004, 31/12/2005, 31/12/2006 and 31/12/2007) and a total additional tax assessment of 15.01 million EUR (i.e. 2.93 million euros in respect of 2005; 2.91 million euros in respect of 2006, 4.06 million euros in respect of 2007 and 5.11 million euros in respect of 2008).

Distrigas and its Board of Directors consider that the tax exemption in Belgium is fully justified and completely refute the authorities' claim, which they consider to be unfounded. They have therefore lodged an appeal in accordance with tax laws (claim and appeal before the courts if the Distrigas appeal is rejected by the tax authorities).

None of the additional amounts have been recorded in the accounts as a tax charge for the years for which they were assessed by the tax authorities.

Changes in the legislative and regulatory framework

Changes in the regulatory and legislative framework, both in Belgium and at European level, may have a significant effect on the activities of Distrigas and its subsidiaries.

Research and Development (R&D)

Distrigas does not conduct its own fundamental R&D. Nevertheless, Distrigas Gas Services, the company's centre for expertise in natural gas technology, can draw upon and apply operational process experience of more than 25 years in various industry sectors and processes. It places its expertise at the disposal of industrial customers, for example through measurement campaigns, operational support or investment advice concerning rational use of energy (RUE).

Distrigas Gas Services also follows trends and developments in hydrogen (H₂) as a fuel and the quality of natural gas (Wobbe Index, new analytical techniques). Current contacts with institutes and universities are of great importance in this respect. Distrigas participates, for instance, in the VITO Vlaams Innovatie Stimulans Netwerk-Brandstofcellen (Flemish Innovation Stimulation Network - Fuel Cells).

Transit activities

In accordance with the commitments submitted to the European Commission by Gaz de France and Suez on 13 October 2006 in connection with the notified merger between them, Distrigas had to transfer its commercialisation of transit capacities business, carried out by Distrigas & Co, to Fluxys. On 1 July 2008, Distrigas and Transfin sold their respective shares in Distrigas & Co to Fluxys and Huberator pursuant to the Distrigas & Co sale agreement. At the time of that agreement, the value of the transit activities carried out by Distrigas & Co was (and at the date of this Annual Report continues to be) subject to a significant degree of uncertainty. This uncertainty is principally a result of:

- decisions made by the CREG on 15 May 2008 and 6 June 2008 concerning temporary transit tariffs. These decisions, amongst other things, called into question the application of the negotiated tariffs under Distrigas & Co's transit contracts with gas shippers (users of the transit network);
- the appeal against these decisions by Fluxys, Distrigas, Distrigas & Co and certain other shippers - It should be noted that following a judgment dated 10 November 2008, the Court of Appeal of Brussels suspended both decisions of the CREG.

As a result of this uncertainty, Fluxys and Distrigas reached an agreement based on a minimum conventional value of 350 million euros for the commercialisation activities of Distrigas & Co's transit capacities, provided that an upward price review will be undertaken if legislative, regulatory or judicial decisions raise the value of this activity above 350 million euros.

Distrigas commitments to the European Commission with regard to its sales contracts on the Belgian market

In 2005, the European Commission had launched an inquiry into the Distrigas gas supply contracts on the Belgian market. As part of this process, Distrigas submitted a series of commitments to the Commission. The latter decided, in October 2007, to make these commitments binding on Distrigas for a period of 4 years (from 1 January 2007 to 31 December 2010). This decision by the Commission ended its inquiry. The commitments guarantee that, on average, 70% of the volume of natural gas that Distrigas supplies to its industrial consumers and to electricity producers in Belgium will be open to competition each calendar year (see <http://ec.europa.eu/comm/competition/antitrust/cases/decisions/37966/en.pdf>). Since then, Distrigas has submitted reports to the European Commission, confirming that it has respected the commitments for the calendar years 2007, 2008, 2009 and 2010 respectively.

Auditor's remuneration

The accounts as of 31 December 2010 show an expense of 75,596.40 EUR in respect of the auditor's fees for the statutory audit of the financial statements as of 31 December 2010, as well as an amount of 134,361.22 EUR, corresponding to the payment of fees for the internal control system audit ("SOX") carried out on 31 December 2010.

No special fees were paid between February and December 2010.

Outlook for 2011

In line with its strategy, Distrigas will continue to exploit growth opportunities on the European market.

Regulatory changes at both national and European level will influence future activities. Price volatility and development on the European energy markets can cause increasing performance variations for Distrigas, as well as for other energy trading companies, thus creating substantial uncertainty regarding forecasts.

Brussels, 8 March 2011

Erwin Van Bruysel
Chief Executive Officer

Jean Vermeire
President of the Board of Directors