THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

The release, publication or distribution of this document and any other related documentation in jurisdictions other than the U.K. may be affected by the laws and regulations of relevant jurisdictions. Therefore any persons who are subject to the laws and regulations of any jurisdiction other than the U.K. should inform themselves of and observe any applicable requirements. Further information on distribution restrictions is set out in "*Important Information*".

A copy of this document which comprises a prospectus relating to the Ordinary Shares prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 has been filed with the Financial Services Authority and made available to the public as required by section 3.2 of the Prospectus Rules. A copy of this document is also available for inspection at the registered office of the Company at 85 Queen Victoria Street, London, EC4V 4DP and at the offices of Clifford Chance LLP, International Power's solicitors, at 10 Upper Bank Street, London, E14 5JJ.

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the Existing Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to listing on the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange, respectively. It is expected that, subject to the Conditions to the proposed combination of International Power and GDF SUEZ Energy International (the "**Combination**") being satisfied or, where appropriate, waived, Admission will become effective and dealings on the London Stock Exchange in the Existing Ordinary Shares and the New Ordinary Shares will commence at 8.00 a.m. (London time) on the day of Closing.

International Power, the Directors and the Proposed Directors, whose names appear in the section headed "*Directors, Proposed Directors, Company Secretary, Registered Office and Advisers*", accept responsibility for the information contained in this document. To the best of the knowledge of International Power, the Directors and the Proposed Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Investors should rely only on the information contained in this document and the documents incorporated by reference herein. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised. International Power will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or any regulatory authority, but assumes no further obligation to publish additional information.

YOU SHOULD READ THE WHOLE OF THIS DOCUMENT AND ANY DOCUMENTS INCORPORATED HEREIN BY REFERENCE. IN PARTICULAR, YOUR ATTENTION IS DRAWN TO THE SECTION HEADED "*RISK FACTORS*" IN THIS DOCUMENT.

International Power plc

(incorporated and registered in England and Wales, No. 2366963)

Proposed issue of 3,554,347,956 New Ordinary Shares in the Company in connection with the proposed combination with GDF SUEZ Energy International

Application for the admission to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities of the Existing Ordinary Shares and the New Ordinary Shares

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Nomura International plc, which is authorised in the UK under FSMA and regulated by the FSA, is acting as financial adviser and joint sponsor exclusively to International Power and no one else in connection with the production of this Prospectus, the Combination and/or Admission and will not be responsible to any other person (whether or not a recipient of this document) for providing the protections afforded to the clients of Nomura International plc nor for providing advice in connection with the Combination, Admission or any matters or arrangements referred to in this document.

J.P. Morgan Cazenove, which is authorised and regulated in the UK by the FSA, is acting as financial adviser, joint sponsor and corporate broker to International Power and no one else in connection with the production of this Prospectus, the Combination and/or Admission and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to clients of J.P. Morgan Cazenove or for providing advice in relation to the Combination or any matters or arrangements referred to herein.

Morgan Stanley & Co. Limited is acting as financial adviser and joint sponsor and Morgan Stanley & Co. International plc is acting as corporate broker, in each case, to International Power and no one else in connection with the contents of this Prospectus, the Combination and/or Admission and will not be responsible to anyone other than International Power for providing the protections afforded to clients of Morgan Stanley & Co. Limited and Morgan Stanley & Co. International plc, nor for providing advice in relation to the Combination or any matters or arrangements referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove, Morgan Stanley & Co. Limited, Morgan Stanley & Co. International plc or Nomura International plc by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, J.P. Morgan Cazenove, Morgan Stanley & Co. Limited, Morgan Stanley & Co. International plc and Nomura International plc have not authorised and do not accept any responsibility whatsoever for the contents of this document or for any statements made or purported to be made by them or on their behalf in connection with the Combination or Admission. J.P. Morgan Cazenove, Morgan Stanley & Co. Limited, Morgan Stanley & Co. International plc and Nomura International plc accordingly disclaim any and all liability, whether arising in tort, contract or otherwise (save as referred to herein) which they might otherwise have in respect of the document or any such statement.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF, OR SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR BUY, ANY NEW ORDINARY SHARES OR EXISTING ORDINARY SHARES TO ANY PERSON IN ANY JURISDICTION AND IS NOT FOR DISTRIBUTION IN OR INTO ANY RESTRICTED JURISDICTION EXCEPT AS DETERMINED BY INTERNATIONAL POWER IN ITS SOLE DISCRETION AND PURSUANT TO APPLICABLE LAWS.

The New Ordinary Shares have not been, and will not be, registered under the applicable laws of any Restricted Jurisdiction. Accordingly, the New Ordinary Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction or to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

The New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or under any of the relevant securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares may not be offered or sold in or into the United States absent registration under the Securities Act or an exemption from registration thereunder. There will be no public offering of the New Ordinary Shares in the United States. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

Dated 21 December 2010

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS[1]

All times and dates referred to in this Prospectus are times and dates in London.

Circular sent to International Power Shareholders	19 November 2010
General Meeting	10.30 a.m. 16 December 2010
Closing of the Transaction	by no later than 30 June 2011
Cancellation of listing of Existing Ordinary Shares	8.00 a.m. on the day of Closing
Admission, commencement of dealings on the London Stock Exchange of Existing Ordinary Shares and New Ordinary Shares	8.00 a.m. on the day of Closing
Issue of share certificates in respect of New Ordinary Shares[2]	as soon as reasonably practicable following Admission
Special Dividend record date[2]	as soon as reasonably practicable following Admission
Special Dividend payment date[2]	within 14 days of the Special Dividend record date

Notes:

(1) These dates and times are indicative only and are based on International Power's current expectations and may be subject to change (including as a result of the regulatory process and/or the process for completing the Combination).

(2) Subject to Admission.

INDICATIVE MERGER STATISTICS

Number of Existing Ordinary Shares in issue as at 17 December 2010[(1)]	1,526,965,669
Number of New Ordinary Shares to be issued pursuant to the Combination	3,554,347,956
Approximate number of Ordinary Shares in issue upon Admission[(2)]	5,081,313,625
New Ordinary Shares as a percentage of the enlarged issued share capital of International Power[(3)]	70 per cent.

Notes:

(1) The latest practicable date prior to the date of this Prospectus.

(2) This is based on International Power's issued share capital as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus), 3,554,347,956 New Ordinary Shares being issued pursuant to the Combination and assuming that no options are exercised or Ordinary Shares issued under the International Power Share Schemes or Ordinary Shares issued on conversion of the Convertible Bonds between 17 December 2010 and Admission of the New Ordinary Shares.

(3) This is based on 1,526,965,669 Ordinary Shares in issue upon Admission (see note (2) above).

SUMMARY

The following summary information does not purport to be complete and should be read as an introduction to the more detailed information appearing elsewhere in this document. Any decision by a prospective investor to invest in Ordinary Shares should be based on consideration of this document as a whole, including the information incorporated by reference, and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

In this section under the sub-heading ''Information on International Power and GDF SUEZ Energy International – International Power'', references to the ''Company'' or ''International Power'' include, where the context so requires, the Company, its subsidiaries, and its interests in joint ventures and associates as appropriate.

Introduction

On 10 August 2010, International Power announced that it had signed a memorandum of understanding with GDF SUEZ in relation to the Combination of International Power and GDF SUEZ Energy International. GDF SUEZ Energy International comprises GDF SUEZ's Energy International Business Areas (outside Europe) and certain assets in the UK and Turkey. Following the completion by GDF SUEZ and members of the GDF SUEZ Group of consultation processes with certain of their employee representative bodies, on 13 October 2010 International Power announced that it had signed a Merger Deed with GDF SUEZ in respect of the Combination.

Information on International Power and GDF SUEZ Energy International

International Power

International Power is a leading independent power generation business with interests in operating plants located in five core regions; North America, Europe, the Middle East, Australia and Asia. International Power primarily engages in the development, acquisition and operation of power generation plants. International Power's Power Generation Portfolio consists of more than 50 power generation plants (including plants currently under construction) located in 21 countries. As at 9 August 2010 the Company's Power Generation Plants currently in operation had a total gross capacity of 34.4GW (20.9GW net), while gross power generation capacity under construction was 4.5GW (1.4GW net). International Power also has interests in closely linked or complementary businesses such as the desalination of water (Middle East) and retail supply (Australia and the UK).

For the financial year ended 31 December 2009, International Power reported consolidated revenue of £3,947 million, EBITDA of £1,372 million and current operating income of £1,025 million. As of 31 December 2009, International Power had total equity of £4,761 million. International Power is listed on the Main Market of the London Stock Exchange with a market capitalisation of approximately £6.6 billion[1].

GDF SUEZ Energy International

GDF SUEZ Energy International is a leading global IPP with 32.8GW gross (20GW net) capacity in operation as at 30 June 2010 and strong positions in four key regions: North America, Latin America, the Middle East and Asia. It is a leading private electricity producer in Brazil, Thailand, Chile and the Gulf countries, and the second largest electricity retailer for Industrial & Commercial companies and leading LNG importer in the US. GDF SUEZ Energy International is also active in gas transport and distribution with its main activities located in Mexico, Chile, Argentina and Turkey. GDF SUEZ Energy International offers attractive growth prospects as a result of a significant pipeline of committed projects (17.3GW gross, 6.2GW net as at 30 June 2010). In the six month period ended 30 June 2010, GDF SUEZ Energy International generated sales of €5.38 billion and EBITDA of €1.19 billion.

The aggregate book value of the gross assets the subject of the Transaction was €21.1 billion as of 31 December 2009 and €26.8 billion as of 30 June 2010, and the profit before tax attributable to

1 Based on a share price of 435 pence per Ordinary Share as at 17 December 2010, being the latest practicable date prior to the date of this Prospectus.

those assets was €0.98 billion for the year ended 31 December 2009 and €0.65 billion for the six month period ended 30 June 2010.

Rationale for the Combination

The Combination of GDF SUEZ Energy International and International Power will create an enlarged International Power and substantially enhance the strategic position of both International Power and GDF SUEZ through the creation of the global leader in independent power generation. The Enlarged International Power Group will:

- have 66.2GW of gross capacity (40.9GW net) in operation and committed projects expected to deliver 21.8GW of additional gross capacity (7.6GW net) by 2013;
- have strong positions in major regional markets; and
- offer an attractive growth profile given its significant pipeline of committed projects, wider geographic footprint and balanced portfolio of assets.

This will be further enhanced by the expected operating and financing synergies arising from the Combination, and the combined business' robust capital structure and improved access to financing (including provision of committed financings at investment grade rates by the Wider GDF SUEZ Group).

The Combination is expected to generate significant benefits through Enlarged International Power Group's ability to deliver substantial operating and financing synergies. Total annualised operating and financing pre-tax synergies of £165 million per annum are expected to be generated by the sixth year following Closing, with 75 per cent. delivered in the second year following Closing.

Summary of the Terms of the Combination

Overview

The Combination will take the form of a contribution of GDF SUEZ Energy International by subsidiaries of GDF SUEZ to International Power in exchange for the issue of 3,554,347,956 Ordinary Shares in International Power in order to create an Enlarged International Power. The New Ordinary Shares to be held by the GDF SUEZ Group at Closing will represent approximately 70 per cent. and Existing Shareholders in International Power will own approximately 30 per cent. of Enlarged International Power's issued share capital immediately following Admission. Enlarged International Power will be listed on the Official List and traded on the London Stock Exchange's Main Market.

Special Dividend

Existing Shareholders will receive a cash payment of 92 pence per Ordinary Share following Closing by way of the Special Dividend.

Conditions

Closing is subject to a number of conditions, including:

- certain anti-trust and regulatory approvals;
- the GDF SUEZ Energy International Reorganisation being implemented in accordance with the terms of the Merger Deed; and
- Admission.

Break fee

Under the Merger Deed, International Power has agreed to pay a break fee of €60,000,000 to Electrabel, a wholly-owned subsidiary of GDF SUEZ, in certain circumstances.

Relationship Agreement

A Relationship Agreement has been entered into which, amongst other things, prescribes the structure of the Enlarged International Power Board, including granting certain appointment rights to the GDF SUEZ Group, and categorises certain actions as reserved matters which are only permitted to be undertaken with the approval of the Enlarged International Power Board, including at least two GDF SUEZ Appointed Directors.

Financing Framework Agreement

International Power has entered into the Financing Framework Agreement pursuant to which GDF SUEZ has agreed to provide committed long-term loan, revolving credit and collateral facilities to the Enlarged International Power Group.

Board and Management Team

Following Admission, International Power's board of directors will comprise 13 members: a non-executive chairman (appointed by GDF SUEZ), a deputy chairman (who is the existing chairman of International Power), three executive directors (including International Power's existing CEO and CFO), five independent non-executive directors and three non-executive directors (appointed by GDF SUEZ).

Dividend Policy

International Power will target an earnings per share payout ratio of 40 per cent., consistent with its existing dividend policy. It is expected that International Power will continue to declare an interim dividend in each year of an amount which is equal to 35 per cent. of the previous year's full-year dividend.

Current Trading and Prospects

International Power

Financial and operating update

International Power's portfolio of long-term contracted assets continues to perform well, and expected 2010 spreads and load factors in its merchant markets remain in line with the guidance given in August.

Outlook

The outlook for the full year remains unchanged. International Power's merchant assets remain well positioned to capture value from any recovery or volatility in market conditions and the long-term contracted assets continue to operate in line with expectations.

GDF SUEZ Energy International

Financial and operating update

GDF SUEZ Energy International's portfolio has continued to benefit from the positive trends experienced in the first half of the year and has traded in line with management's expectations delivering a strong operational and financial performance, primarily reflecting (i) a sustained energy demand in Latin America, a demand recovery in Asia and the contribution of new commissioned assets in Chile and Brazil; (ii) the positive contribution of recent industrial developments (mainly the combination of Chilean electricity and gas transmission assets owned by GDF SUEZ Energy International and the Codelco mining group and GDF SUEZ Energy International's increased ownership in the Astoria gas power plant in New York); and (iii) positive exchange rate fluctuations.

Outlook

The trends for the full year remain unchanged and the portfolio continues to perform well and in line with expectations.

Risk Factors

Risks Relating to existing operations of the Group

- generation of electricity involves significant risks that could adversely affect the Group's financial results.
- reliance on single suppliers and single customers exposes it to financial risks if the counterparties fail to perform their obligations.
- operations and revenues depend upon performance by various third parties.
- commodity price fluctuations, volatility and other market conditions may adversely affect the Group's financial condition and results of operations.
- effects of the world economic crisis could last longer than anticipated.
- market prices for power and fuel are volatile and can remain depressed.

- a significant number of the Power Generation Plants ("**PGPs**") operate with long-term PPAs and there is no certainty that these will be renewed or replaced.
- the Group may not be able to exercise control over project companies in which it has a minority interest and may be dependent on its co-venturers.
- the Group's marketing and trading activities of uncontracted capacity will not fully remove its exposure to market risks.
- the Group may be required to guarantee the obligations of its subsidiaries, joint ventures or associates.
- PGPs may experience disruption to their fuel supplies and transportation agreements may be terminated.
- the Group is exposed to risks by virtue of relying on power transmission facilities that it does not own or control and being subject to transmission constraints within core regions.
- exchange rate fluctuations could negatively affect the Group's financial condition and results of operations.
- operations are subject to extensive regulation, and stringent environmental, health and safety laws and regulations.
- operations in certain countries may expose it to economic, political and other risks.
- the Group may have significant environmental liabilities and costs related to contamination of land, air and water.
- operations are subject to laws and regulations, and other political, social or community actions or pressure, governing GHG emissions and potential risks associated with climate change.
- insurance coverage may not be adequate.
- the Group may not be able to obtain insurance for certain risks under acceptable terms or at all.
- renewable energy PGPs and other initiatives face uncertainties including operational and regulatory challenges.
- PGPs may experience equipment failures or may not operate as planned.
- the Group's businesses are heavily reliant on its IT infrastructure.
- new PGPs that employ advanced technology may not achieve the levels of operating performance expected.
- industrial action may disrupt operation or delay completion of the Group's construction projects.
- the Group's ability to operate its PGPs and respond to unexpected events is dependent on the availability of skilled personnel.
- certain of the Group's businesses are sensitive to weather variations.
- further consolidation among the Group's major suppliers could increase the extent of completion and technical risk faced by its business and reduce its ability to use commercial mechanisms to mitigate this risk.
- increasing competition could adversely affect the Group.
- the Group may not be successful in responding to changes in the independent power industry.
- the Group is required to stand behind its pension funds.
- International Power was a "successor company" under the Electricity Act 1989 and may remain liable for pension commitments to employees and former employees.
- results of operations will depend significantly on the tax treatment of the Group's operations in various jurisdictions.

Risks Relating to development or acquisitions of PGPs, infrastructure and other assets

- financing for new plants, projects or other acquisitions of assets may not be available on acceptable terms in the future or at all.
- the Group is subject to counterparty credit risk.
- development and construction of PGPs and infrastructure projects are subject to risks.

- acquisition activities may not be successful due to potential regulatory approvals and initial costs and may result in non-recovery of incurred costs.
- if a project company fails to meet certain performance levels or payments under financing obligations the Group may lose its interest in the project company.
- the Group may have difficulty integrating future acquisitions with existing operations.

Specific GDF SUEZ Energy International Division risks

The GDF SUEZ Energy International Division is:

- dependent on a limited number of suppliers of natural gas.
- exposed to:
  - the risks associated with long-term "take-or-pay" gas procurement contracts which include minimum volume commitments.
  - risks related to the renewal of the GDF SUEZ Energy International Division's gas transportation contracts.
  - regulatory risks associated with gas distribution and sales activities.
  - volatile and cyclical variations in natural gas prices and in demand for LNG regasification capacity.
  - the risk of industrial accidents and business interruption in relation to its natural gas activities.
  - risks associated with its operations in Latin America.
  - risks relating to ownership of stakes in listed subsidiaries.

Risks Relating to Debt Facilities

- the Group may not be able to refinance or renew its long-term credit facilities on acceptable terms or at all.
- existing and potential future defaults by subsidiaries, joint ventures or associates could adversely affect the Group.
- the Group's substantial indebtedness could adversely affect its financial health and ability to withstand adverse developments and prevent it from fulfilling its indebtedness obligations.

Risks Related to the Combination

- the Enlarged International Power Group may experience difficulties in integrating the GDF SUEZ Energy International Division or future acquisitions, and may not achieve the synergies anticipated.
- uncertainties associated with the Combination may cause the loss of key employees.
- third parties may terminate or alter existing contracts.
- the Combination may result in a loss of customers or strategic alliances.
- Closing is subject to a number of conditions.
- the Combination may close even if there is an adverse change or development in respect of the International Power Group or the GDF SUEZ Energy International Division.

Risks Related to the Ordinary Shares

- the market price of Ordinary Shares is subject to fluctuation.
- risks of executing the Combination could cause the market price of the Ordinary Shares to decline.
- investors with a reference currency other than sterling will be subject to foreign exchange fluctuations.
- International Power is primarily a holding company and is relying on the future performance of PGPs to pay dividends.
- Existing Shareholders will own a smaller percentage of Enlarged International Power.
- GDF SUEZ will have the ability to exercise substantial influence over the Enlarged International Power Group's business.

- standstill arrangements in the Relationship Agreement only apply for 18 months following Admission.
- the Relationship Agreement will terminate if GDF SUEZ's interest in International Power falls below 50 per cent.
- disposal by the Wider GDF SUEZ Group of all or a substantial number of its Ordinary Shares could adversely affect their prevailing market price.

RISK FACTORS

An investment in the Ordinary Shares is subject to a number of risks. Potential investors should consider the following risks and uncertainties together with all the other information set out in, or incorporated by reference into, this document prior to making any decision as to whether or not to invest in Ordinary Shares.

A number of factors affect the business, operating results, financial condition and/or prospects of the Group and the GDF SUEZ Energy International Division. The risks and uncertainties described below, which are not set out in any order of priority, represent those known to the Directors and the Proposed Directors as at the date of this document and which the Directors and the Proposed Directors consider to be material. However, these risks and uncertainties do not purport to be a complete list or explanation of all the risks facing the Group and the GDF SUEZ Energy International Division; additional risks and uncertainties not presently known to the Directors or the Proposed Directors, or that the Directors or the Proposed Directors currently consider to be immaterial, could also impair the business of the Group and the GDF SUEZ Energy International Division. In addition, as a result of the Combination, the risks identified below may be further aggravated. If any, or a combination of any of these risks actually occurs, the business, financial condition, operating results and/or prospects of the Group and the GDF SUEZ Energy International Division could be materially and adversely affected. In such case, the market price of the Ordinary Shares could decline and, as a result, investors may lose all or part of their investment.

For the purposes of this section, references to the "Group" shall mean, prior to Closing, each of the International Power Group, the GDF SUEZ Energy International Division and, following Closing, the Enlarged International Power Group.

Risks relating to the existing operations of the Group

The Group's primary activity is the generation of electricity from its Power Generation Plants, which involves significant risks that could adversely affect its financial results

The Group is in the business of generating electricity, which involves certain risks that can adversely affect financial and operating performance, including:

- changes in the availability of its Power Generation Plants due to increases in scheduled and unscheduled plant outages, equipment failure, failure of transmission systems, labour disputes, disruptions in fuel supply, inability to comply with regulatory or permit requirements or catastrophic events such as fires, floods, storms, hurricanes, earthquakes, explosions, terrorist acts or other similar occurrences. Changes in the availability of its Power Generation Plants could have a material adverse effect on its results of operations, financial condition and prospects; and

- changes in its operating cost structure including, but not limited to, increases in costs relating to: gas, coal, oil and other fuel; fuel transportation; operations, maintenance and repair; environmental compliance, including the cost of purchasing emissions offsets and capital expenditure to install environmental emission equipment; transmission access; and insurance. The availability and cost of this infrastructure affects capital and operating costs and levels of production and sales. Limitations or interruptions in transportation, including as a result of third parties intentionally or unintentionally disrupting the operations of its subsidiaries, joint ventures and associates, could impede their ability to produce electricity. This could have a material adverse effect on the Group's results of operations, financial condition and prospects.

Whilst 65 per cent. of the International Power Group's, and over 80 per cent. of the GDF SUEZ Energy International Division's, Power Generation Plants entered service less than 15 years ago, a portion of them were constructed many years ago. Older generating equipment may require significant capital expenditures for maintenance. This equipment is also likely to require periodic upgrading and improvement. Breakdown or failure of one of the Group's Power Generation Plants may prevent the plant from performing under applicable PPAs which, in certain situations, could result in termination of a power purchase or other agreement or incurring a liability for liquidated damages or damages in general. Any of the above risks could have a material adverse effect on the Group's results of operations.

The Group's reliance on single suppliers and single customers at some of its Power Generation Plants exposes it to financial risks if the counterparties should fail to perform their obligations

With respect to those Power Generation Plants in which the Group has long-term PPAs, it often relies on a single supplier for the provision of equipment, materials or fuels required to operate the plant and, at times, it relies on a single customer (which could be a government controlled entity) or a few customers to purchase all or a significant portion of a facility's output or capacity under PPAs. In many cases, the Group limits its exposure to fluctuations in fuel prices by entering into long-term contracts for fuel with a limited number of suppliers. In these instances, the financial performance of the Group and the level of distributions received from individual project companies is dependent on the continued ability of customers and suppliers to meet their obligations under the relevant power sales contract or fuel supply contract, respectively with the relevant project company. Some of the Group's long-term PPAs are at prices above current spot market prices and some of its long-term fuel supply contracts are at prices below current market prices. Any interruption or delay in the supply of equipment, materials or fuel, or the Group's inability to obtain such supplies within a reasonable amount of time, could impair its ability to meet its obligations under the relevant PPA and/or cause it to experience delays or incur additional costs, each of which may negatively impact the level of distributions received by members of the Group from individual project companies which may, in turn, negatively impact the Group's results of operations. This could, in some circumstances, limit the ability of International Power and/or the GDF SUEZ Energy International Holding Companies to pay dividends to their respective shareholders. Conversely, certain of the Group's fuel supply agreements contain minimum fuel purchase requirements which means that it is required to purchase a minimum quantity of fuel even if it is unable to sell the power output.

In addition, the loss of significant PPAs or fuel supply contracts, or the failure by any of the parties to such contracts that prevents the Group from fulfilling its obligations thereunder, could prevent the relevant Power Generation Plant from continuing its operations or could otherwise have a material adverse impact on the Group's financial performance and the level of distributions received from individual project companies which may, in turn, negatively impact the Group's results of operations. In the event of a failure of a counterparty to perform its obligations, it may not always be possible for the Group to obtain full compensation, despite contractual provisions for this purpose. This could, in some circumstances, limit the ability of International Power and/or the GDF SUEZ Energy International Holding Companies to pay dividends to their respective shareholders.

The Group's operations and revenues depend upon the performance by various third parties, including trading counterparties

If any counterparty to the Group's key contracts related to its Power Generation Plants or development projects fails to perform any of its obligations under the contract in question, the Group's ability to operate its Power Generation Plants, develop its projects and perform its contractual obligations could be materially adversely affected. The failure of any counterparty to perform any of its obligations could also affect the Group's revenues from its operations.

Key third parties that the Group relies upon in the operation of Power Generation Plants include, but are not limited to, counterparties to power purchase and tolling agreements, fuel supply and transportation agreements, parts and services agreements, operation and maintenance agreements and management service agreements. In the development of the Group's projects, it relies upon contractors and numerous subcontractors, engineers, architects and licensing, permitting and other legal specialists in relation to the construction and development of such projects. If any such counterparty becomes bankrupt or insolvent, defaults in the performance of its contractual obligations, is excused from performance of its contractual obligations as a result of a *force majeure* or similar event or otherwise does not perform its contractual obligations for any reason, the Group may not be able to obtain alternate customers, suppliers, goods or services, as the case may be, on terms and conditions as favourable as the existing contracts relating to such customers, suppliers, goods and services. Further, non-performance by a counterparty under a key contract may give rise to a default or termination under another key contract within the same project company or under related project level indebtedness.

In addition, the Group is exposed to the ability of its commercial, trading and financing counterparties to honour their commitments to it, primarily in respect of the sale of electricity and natural gas on a merchant basis. The Group will also have financial counterparty credit exposure with respect to its treasury activities (arrangements with relationship banks, money market funds and investment grade commercial paper) and any derivative instruments that it may use, including interest rate, foreign exchange and commodity derivative instruments. In the event of the failure of a commercial, trading or financing counterparty to perform its contractual obligations to the Group, due to the insolvency or wilful default of such counterparty or for any other reason, it may not always be possible for the Group to obtain full compensation for such default, despite contractual provisions for this purpose. In these circumstances, depending on the nature of the default, volatility in the wholesale merchant markets may result in the Group selling electricity and natural gas at a lower price than could have been obtained had a contracted purchaser not defaulted in respect of its obligations, or the Group's financing costs may increase if it is required to contract with another financing counterparty. The occurrence of either of these events could have a material adverse impact on the Group's results of operations.

Commodity price fluctuations, volatility and other market conditions may adversely affect the Group's financial condition and results of operations

The prices of the commodities that the Group buys and sells in its businesses are subject to volatility. Volatility in energy and other relevant commodity markets may result from many factors which are beyond the Group's control, including supply and demand for power or fuel for generation, weather, the availability of competitively priced alternative energy sources, transmission or transportation constraints, carbon costs, energy and environmental regulation and legislation, commodity market constraints, general economic conditions, and natural disasters, wars, embargoes and other catastrophic events.

In addition, electricity, unlike many commodities, cannot be stored on a cost-competitive basis and therefore must be produced concurrently with its use. As a result, wholesale power, fuel and emission markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. A decrease in the spread between the cost of fuel and emissions certificates that the Group purchases and the price that it can obtain for the electricity that it sells could have a material adverse impact on its financial condition and/or results of operations.

The costs associated with the Group's power generation and gas sales businesses are principally driven by the prices of natural gas and coal, which are subject to volatility. Although PPAs and retail contracts generally allow the Group to pass costs through to customers, certain costs associated with related agreements, including operating and maintenance agreements, may not necessarily be able to be passed through, resulting in a potential (limited) impact on gross margin.

The effects of the world economic crisis could last longer than anticipated

The effects of the world economic crisis could last longer than anticipated and result in a prolonged slowing of operations among the Group's major customers. This could contribute to a decline in unit or overall demand for energy, thus affecting the Group's business volumes and margins, which could in turn have a material adverse impact on the Group's business, results of operations and financial condition.

Market prices for power and fuel in the markets where some of the Group's projects operate are volatile and can remain depressed for years

In recent years, power and fuel markets in many countries in which the Group operates have been characterised by regulatory changes and other factors (such as decreased demand for electricity and low gas prices) which have contributed to market prices for power that are volatile and sometimes uneconomic. Accordingly, the Group's Power Generation Plants may experience difficulty in charging prices that provide them with sufficient revenues to make distributions until such time as that over-supply and/or uneconomic pricing by other generators is rectified. Such market price volatility and a lack of distributions from Power Generation Plants may, in turn, have an adverse impact on the Group's financial condition and/or results of operations. Furthermore, to the extent that market prices continue to be uneconomic, this may have an adverse effect on the Group's business performance in the relevant markets and may, in certain circumstances, require it to write down the value of its existing and future assets in those markets.

A significant number of the Group's Power Generation Plants operate with long-term PPAs and there is no certainty that these will be renewed or replaced

Some of the Group's Power Generation Plants conduct business under fixed price long-term PPAs. As at 9 August 2010, approximately 54 per cent. of the total installed capacity (41 per cent. net) of the International Power Group's Power Generation Plants was sold under medium or long-term agreements, with the remainder sold on a merchant basis. As at 30 June 2010, approximately 73 per cent. of the total installed capacity (64 per cent. of the net capacity) of the GDF SUEZ Energy International Division's Power Generation Plants was sold under medium or long-term agreements, with the remainder sold on a merchant basis. Depending on market conditions and regulatory regimes, it may be difficult for the Group to secure long-term contracts when its current contracts expire. The majority of the Group's PPAs expire in the period between 2014 and 2042. The inability to replace long-term contracts that expire with new contracts or enter into long-term contracts for acquired Power Generation Plants could require the Group's Power Generation Plants to purchase fuel at market prices and sell electricity into spot markets, which are subject to market forces. Because of the volatile nature of fuel and power prices, the inability to secure or renew long-term contracts could generate increased volatility in the Group's earnings and cash flows and could generate substantial losses during certain periods which could have a material adverse impact on the Group's business and results of operations and the ability of the relevant Power Generation Plants to generate enough revenue to make distributions, which, in turn, may have an adverse impact on the Group's financial condition.

The Group may not be able to exercise control or joint control over the operations of some of the project companies in which it has a minority interest and may be dependent on its co-venturers to construct and operate Power Generation Plants owned by such project companies

The Group has limited control over the development, construction, acquisition or operation of those project companies that own Power Generation Plants in which it owns only a minority interest and does not otherwise have contractual rights of control or joint control. Although the Group seeks to exert significant influence over the management and operation of such project companies by, for example, obtaining positions on management committees, the Group may not always succeed in achieving or maintaining its position. In those circumstances, the Group may, therefore, be dependent on its co-venturers to construct and operate the Power Generation Plants owned by such project companies, who may lack the necessary attributes or may not always approach projects in the manner that the Group would if it were in control or joint control. The Group may also have to rely on their approval to receive distributions of funds from project companies or to transfer its interest in project companies.

The Group's marketing and trading activities of the uncontracted capacity from certain of its Power Generation Plants will not fully remove its exposure to market risks, which may have a material adverse effect on its results of operations and/or financial condition

The Group engages in marketing and trading activities to hedge against commodity price risk resulting from uncontracted capacity from certain of the Group's Power Generation Plants and from the gas purchase-sales activities of the GDF SUEZ Energy International Division. The Group's current marketing and trading activities generally involve managing its physical asset portfolio positions by entering into forward transactions and other commodity derivatives mainly in power, oil, gas, coal and emission certificates markets, with the objective of optimising returns on assets and reducing volatility of earnings. As asset owners, to the extent that the Group retains residual long positions in energy markets, a downturn in such markets will result in losses from a decline in the value of such positions. To the extent that the Group enters into forward sales contracts to deliver power and is unable to produce sufficient power to meet these contractual obligations, it may be required to purchase replacement power. In the event that the Group is required to purchase replacement power in a rising market, this could potentially expose it to significant losses. It is also not always possible to achieve an exact match between power sales and the purchases of related commodities such as fuel, transmission rights, capacity and emissions certificates. Mismatched positions have the potential to result in substantial losses.

In order to reduce the risk of adverse trading outcomes, the Group devotes significant resources to maintenance, oversight and development of its risk management policies and procedures, as evidenced by its global risk management policy, risk management capabilities and information technology systems. Despite these risk management efforts, there can be no assurance that the Group's marketing and trading activities will not have a material adverse effect on its results of operations and/or financial condition.

The Group may be required to guarantee the obligations of its subsidiaries, joint ventures or associates arising in connection with their trading activities

In merchant markets, the Group may sometimes be required to provide credit support for the Group's trading operations. Fuel and electricity markets periodically experience sharp price movements. When price movements occur, this will have an immediate knock-on effect on the Group's trading credit support requirements, which can be very volatile as a consequence. Moreover, in certain circumstances, the subsidiaries, joint ventures and associates of the Group are required to be of a certain financial standing in order to trade in their respective markets. In the event that such subsidiaries, joint ventures and associates were unable to maintain the required financial standing, the Group might be obliged to guarantee their obligations or otherwise provide credit support to enable them to continue to operate. Accordingly, in such circumstances, the Group might be required to finance the obligations of such subsidiaries, joint ventures or associates which may, in turn, have an adverse effect on the Group's financial condition.

The Group's Power Generation Plants may experience disruption to their fuel supplies and transportation agreements may be terminated

Fuel supply and transportation is typically the single largest variable cost in the generation of electricity at the Group's Power Generation Plants. The Group procures fuel under a variety of contractual arrangements ranging from long-term fuel supply agreements ("**FSAs**") to on-the-day merchant gas purchases. The principal determinant of the Group's fuel supply activity is the need to match purchases to power sales, both in terms of volume, timing and price. Hence, the Group operates long-term FSAs at power plants where it has long-term PPAs and predominantly short-term merchant supply arrangements in its merchant power markets, although the ability to sell power forward also enables the Group to make forward purchases of fuel in order to make best use of market opportunities. Upon the scheduled termination of a fuel supply contract or if the fuel supply contract is terminated prior to its stated term as a result of an event of default or otherwise, the Group may not be able to obtain a fuel supply contract on terms or prices as favourable as under the terminated agreement or it may be required to purchase fuel on the spot market, which may be subject to significant volatility and uncertainty. Also, if the Group is unable to purchase fuel or transport it to the relevant Power Generation Plant, it is unable to generate electricity or sell output. Additionally, if the Group has contracted to sell electricity, but it is unable to obtain the necessary fuel (or obtain it at its expected price) it may suffer a loss of revenue and may be required to purchase electricity at the prevailing market price from other sources to meet its contractual obligations. Consequently, disruptions to the Group's purchases of fuel under its fuel supply contracts, or the termination of any of its fuel supply contracts may have a material adverse effect on its results of operations and/or financial condition.

The Group relies on power transmission facilities that it does not own or control and is subject to transmission constraints within a number of its core regions. If these facilities fail to provide the Group with adequate transmission capacity, it may be restricted in its ability to deliver electric power to its customers and it may either incur additional costs or forego revenues. Conversely, the expansion of transmission facilities in specific markets to accommodate competitive access to those markets could also reduce revenues

The Group depends on transmission facilities owned and operated by others to deliver the power it sells from its Power Generation Plants to its customers. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, the Group's ability to sell and deliver power may be adversely impacted. If a region's power transmission infrastructure is inadequate, the Group's recovery of costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to maintain adequately, or invest in the improvement or expansion of, transmission infrastructure.

In addition, in certain of the markets in which the Group operates, energy transmission congestion may occur and it may be deemed responsible for congestion costs if it schedules delivery of power between congestion zones during times when congestion occurs between the zones. If the Group is liable for congestion costs, its financial results could be adversely affected.

Exchange rate fluctuations could negatively affect the Group's financial condition and results of operations

The Group is subject to risks of currency exchange rate fluctuations. The Group earns a substantial portion of its income in currencies other than sterling and, following Closing, is likely to earn a greater portion of its income in such currencies, particularly the US dollar, euro, the Brazilian real, the Thai baht and certain other currencies. Following Closing, a greater proportion of the Group's assets and liabilities will also be denominated in such non-sterling currencies. The Group's exposure to currency exchange rate fluctuation will result from both the translation exposure associated with the preparation of its consolidated financial statements and transaction exposure related to ongoing operations.

The consolidated financial statements of the International Power Group are currently presented in sterling and a decision will be taken following Closing regarding the currency in which the financial statements of the Enlarged International Power Group will be presented. The financial statements of many of the subsidiaries, joint ventures and associates of the Group are and, irrespective of which currency is chosen for the presentation following Closing, will be prepared using the local currency as the functional currency and, for the purposes of preparing International Power's consolidated financial statements, are and will be translated into the currency of presentation by applying applicable exchange rates. As a result, in relation to the International Power Group, fluctuations in the exchange rate of the currency of presentation relative to the local currencies in which the International Power Group's entities (subsidiaries, joint ventures and associates) report could cause significant fluctuations in its results.

In order to hedge the net assets of non-UK operations, the International Power Group's borrowings are generally in the same currency as the underlying investment. It is not the International Power Group's policy to hedge currency translation exposures through foreign exchange contracts or currency swaps. This may expose the International Power Group's consolidated profits and consolidated assets and liabilities to fluctuations that are not related to underlying business performance.

The GDF SUEZ Energy International Division applies a diverse hedging strategy including currency derivatives, for example cross-currency swaps, which allows it to hedge its currency translation risk for investments in non-eurozone currencies. This policy also allows the GDF SUEZ Energy International Division to reduce exposure on dividends received from subsidiaries. Specific risks relating to investments and mergers and acquisitions are subject to a case-by-case hedging strategy considered in the assessment of such investments.

While the Group's expenses with respect to operations are generally denominated in the same currency as corresponding sales, it has transaction exposure to the extent receipts and expenditures are not offsetting in the reporting entity's functional currency. The International Power Group also experiences transaction exposure to the extent monetary assets and liabilities, including debt, are in a different currency than the reporting entity's functional currency. The Group matches transaction exposures, in advance where possible, and aims to hedge any unmatched transactions as soon as they are committed. The Group uses foreign currency contracts and similar instruments for this purpose.

The International Power Group is also subject to transaction exposures when dividends or other funds are remitted from overseas investments. The Group may utilise these exposures, where possible, to hedge existing transaction exposures on sales and purchases through matching. Moreover, the costs of doing business abroad may increase as a result of adverse exchange rate fluctuations. Fluctuations in currency exchange rates can affect, on a sterling equivalent basis, the amount of the International Power Group's equity contributions to, and distributions from, its international projects, and therefore might have an adverse effect on its financial condition.

The Group's operations are subject to extensive regulation, and its inability to comply with existing regulations or requirements or changes in applicable regulations or requirements may have a negative impact on its business, results of operations and/or financial condition

The operations of the Group are subject to extensive regulation in each of the countries in which it operates. Regulation that specifically applies to the Group's businesses generally covers three areas: regulation of energy markets; environmental regulation; and regulation of health and safety. The degree of regulation to which it is subject varies according to the country where a particular project is located and may be materially different from one country to another. In the developed markets in which it operates, such as the United States, Europe and, in the case of the International Power Group and the Enlarged International Power Group, Australia, there are well-established regulatory frameworks. While International Power believes the requisite approvals for the International Power Group's and the GDF SUEZ Energy International Division's existing project companies have been obtained and that the business of the International Power Group and the GDF SUEZ Energy International Division is operated in substantial compliance with applicable laws, the Group will remain subject to a varied and complex body of laws and regulations that both public officials and private parties may seek to enforce. There can be no assurance that the introduction of new laws or other future regulatory developments in countries in which it conducts its business will not have a material adverse effect on its business, results of operations and/or financial condition. In particular, if changing regulations generate additional costs for the Group that cannot be covered by additional revenue, it could be forced to terminate an activity without any guarantee that it would be able to offset the cost of such termination. Moreover, if the Group does not succeed, or appears not to succeed, in complying satisfactorily with such changes or any enforcement measures, its reputation could be affected and it could be exposed to enforcement measures, fines, penalties and claims filed against it for compensation.

Environmental legislation is one of the key drivers of the long-term development of the electricity industry and initiatives to reduce greenhouse gas emissions are expected to increasingly restrict the Group's ability to use fossil fuels to generate power. The outcome of the debate on global warming and what measures to take to address the issue is a major uncertainty for the Group. Generally, changes in the legal or regulatory structure in any country in which the Group operates could lead to increases in costs which it may not be able to recover, or could impose restrictions on the operations of its businesses.

In addition, for the Group to continue its operations, it may, from time to time, need to renew existing governmental permits and approvals. Obtaining such renewals and overcoming local opposition (if any) can be a long, costly and, at times, unpredictable process. Moreover, government agencies that renew permits and approvals may tighten the restrictions associated with them. If the Group cannot obtain the necessary renewals of material permits or approvals in a timely fashion or is subject to tightened restrictions, this may have a material adverse effect on its businesses, results of operations and/or financial condition.

The Group's operations in certain countries may expose it to economic, political and other risks that could have an adverse effect on its financial condition and results of operations

A significant amount of the Group's revenue is generated outside the United Kingdom and a significant portion of the Group's international operations is conducted in emerging market countries because the growth rates and the opportunity to implement operating improvements and achieve higher operating margins may be greater than those typically achievable in more developed countries. International operations, particularly the operation, financing and development of projects in emerging market countries, will entail significant risks and uncertainties for the Group, including:

- economic, social and political instability in any particular country or region;
- adverse changes in currency exchange rates;
- government restrictions on converting currencies or repatriating funds;
- unexpected changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- high inflation and monetary fluctuations;
- restrictions on imports of coal, oil, gas or other raw materials required by the Group's generation businesses to operate;
- threatened or consummated expropriation or nationalisation of the Group's assets by foreign governments;
- changes in laws or regulations in markets where the energy industry is state-controlled, such as the imposition of restrictions on foreign ownership, expropriation or repatriation of earnings;
- difficulties in hiring, training and retaining qualified personnel;
- unwillingness of governments, government agencies, similar organisations or other counterparties to honour their contracts;
- unwillingness of governments, government agencies, courts or similar bodies to enforce contracts that are economically advantageous to the Group's subsidiaries, joint ventures and associates and economically unfavourable to counterparties, against such counterparties, whether such counterparties are governments or private parties;
- inability to obtain access to fair and equitable political, regulatory, administrative and legal systems;
- limitations or restrictions to dividends or other distributions paid to other members of the Group;
- adverse changes in government tax policy; and
- difficulties in enforcing the Group's contractual rights or enforcing judgments or obtaining a just result in local jurisdictions.

Any of these factors, by itself or in combination with others, could materially and adversely affect the Group's business, results of operations and/or financial condition.

The Group's operations are subject to stringent environmental, health and safety laws and regulations

The Group's activities in power generation, LNG, gas transportation and distribution are subject to stringent environmental, health and safety laws and regulations in the various countries in which it operates. These laws and regulations generally involve emissions to the air, effluents into the water, the use of water, wetlands preservation, waste disposal, endangered species and noise regulation, among other matters. Failure to comply with such laws and regulations or to obtain any necessary environmental permits or health and safety authorisations pursuant to them could result in significant fines or other sanctions.

Environmental laws and regulations affecting power generation and distribution are complex and have tended to become more stringent over time. The United States Congress, the European Union Parliament and Council, the Australian Federal Government and other governmental authorities have either considered or implemented regulatory proposals to restrict or tax certain emissions, particularly those involving air and water emissions. These proposals have imposed, and could impose in the future, significant additional costs on the operation of the Group's Power Generation Plants.

The Group makes significant capital and other expenditures to comply with these and other environmental, health and safety laws and regulations. There can be no assurance that the Group would be able to recover all or any increased environmental costs on its operations from its customers or that its business, financial condition or results of operation would not be materially and adversely affected by such expenditures or changes in environmental, health and safety laws and regulations or their enforcement.

The Group may have significant environmental liabilities and costs related to the contamination of land, air and water

The Group may become responsible for remediation liabilities arising from its current (and from the International Power Group's and the GDF SUEZ Energy International Division's former) ownership or operation of property, including its Power Generation Plants. This responsibility arises under statutes and regulations that impose strict liability on property owners and operators for the remediation of, and also impose liability for damage caused by and injuries from, releases of regulated materials to the environment, including releases that may have been caused by third parties such as former owners and operators.

The Group has also been, and in the future the Group may be, responsible for costs associated with releases of regulated materials used in or generated by its operations or with the remediation of wastes sent by its Power Generation Plants to offsite disposal locations, notwithstanding that the original disposal location accorded with all regulatory requirements. In such cases, damage claims or liabilities may arise which could be costly to remedy.

The Group conducts investigations into its Power Generation Plants and the sites on which its Power Generation Plants are or will be located. Whilst the International Power Directors are not aware of any material potential environmental liabilities which have not, to the extent considered appropriate, been provided for in its annual financial statements in accordance with applicable accounting policies and/or standards, it cannot be certain that all contamination for which the Group may, in the future, become liable has been discovered and provided for. Failure to comply with a government order or directive to investigate or remediate a release or known or suspected historic contamination could also result in civil or criminal liability and the imposition of clean-up liens and fines, in addition to the cost of the actual remediation. If the Group is held responsible for any such liabilities associated with environmental occurrences or conditions, this could have a material adverse effect on its business, financial condition or results of operations.

Laws and regulations, and other political, social or community actions or pressure, governing greenhouse gas emissions and the potential risks associated with climate change could have a material adverse impact on the Group's consolidated results of operations and/or financial condition

At the international, national and various regional and state levels, laws, regulations and policies have been enacted or are under development to regulate greenhouse gas ("**GHG**") emissions, generally by imposing a cost on such emissions in order to create financial incentives to reduce them at minimum economic cost. There is also the prospect in at least two jurisdictions in which the International Power Group operates, and in which the Enlarged International Power Group will operate, that direct regulation of GHG emissions by the relevant environmental regulatory authority could be imposed on emitting sources.

Regulation of GHG emissions could have a material adverse impact on the Group's financial performance. The actual impact will depend on a number of factors, including among others, the degree and timing of GHG emissions reductions required under any legislation or regulations, the price and availability of offsets that deliver the abatement elsewhere, the extent to which market-based compliance options are available, the extent to which the Group would be entitled to receive GHG emissions allowances free of charge without having to purchase them in an auction or on the open market, whether regulated reductions in GHG emissions are compensated, and the impact of legislation or regulation on its ability to recover costs incurred through rate increases or otherwise. As a result of these factors, the Group's cost of compliance could be substantial and could have a material adverse impact on its results of operations. Another factor is the success of its GHG emissions reduction projects, which may generate credits that will help offset its GHG emissions. However, there is no guarantee that the GHG emissions reduction projects will be successful.

The European Union greenhouse gas emissions trading scheme ("**EUETS**") and the Kyoto Protocol are examples of currently effective requirements to substantially reduce GHG emissions, including CO_2, that have been devolved to industries such as the power generation sector. The first compliance phase under the Kyoto Protocol expires in 2012, and to date a successor international agreement creating a second compliance phase has not been agreed. The EUETS, which has been in effect since January 2005, has been agreed to 2020, but details of its requirements in each member state of the European Union during its third phase of operation, which runs from 2013 to 2020, have not yet been confirmed.

To date, compliance with the Kyoto Protocol and the EUETS has not had a material adverse effect on the Group's consolidated results of operations and/or financial condition. However, because details of the 2013-20 compliance phase of the EUETS and of any successor treaty to the Kyoto Protocol have not yet been finalised, the impact of further compliance with them in the future cannot currently be determined. For example, International Power expects that the Group's Power Generation Plants located within the European Union will have to purchase all of their GHG emission certificates in the 2013-20 phase of the EUETS, rather than being allocated a certain number of certificates free of charge by Member States, as has been the case during the 2008-12 phase.

Against that, the Group's operations located in countries described in the Kyoto Protocol as non-Annex 1 countries could be eligible to create Certified Emission Reductions ("**CER**") units under the Protocol's Clean Development Mechanism ("**CDM**"). This would, however, depend on approval and CER issuance by the CDM Executive Board.

As regards the International Power Group's activities in Australia, the Commonwealth Government prepared a "Green Paper", later a "White Paper", and ultimately proposed legislation for an emissions trading scheme covering most economic sectors (namely, the Carbon Pollution Reduction Scheme or "**CPRS**") in 2008 and 2009. The Australian government's target is a minimum reduction of 5 per cent. in GHG emissions against 2000 levels, with the potential for this target to change to 25 per cent. pending a global agreement to cut GHG emissions. The proposed legislation passed the House of Representatives in November 2009, but was defeated by the Senate in December 2009. Despite reintroducing the legislation to the House of Representatives in February 2010, the government indicated in April 2010 that it would defer until 2013 a decision as to whether to reintroduce CPRS. As drafted, the CPRS legislation would have had a material adverse effect on the business or results of operations of the International Power Group and following Closing, the Enlarged International Power Group, for example by requiring its Power Generation Plants in Victoria to incur substantial costs to purchase GHG emission certificates and procure offsets.

Following Federal elections in August 2010, the Australian Labor party has continued in power in a minority Government with the support of the Greens party and a number of independent members of parliament. The impact of these political dynamics on GHG policy is uncertain. The Government has formed a Parliamentary Committee to advise on the implementation of climate change policy, and two "carbon roundtables" for consultation with business and other interest groups. The Parliamentary Committee is scheduled to report at the end of 2011. However, interim arrangements such as a carbon tax have been canvassed by the Greens party, lobby groups, and some business leaders.

The government of the state of Victoria has recently passed legislation to enable the state Environment Protection Authority of Victoria to regulate GHG emissions from new and existing facilities to achieve a state target of 20 per cent. reduction in GHG emissions (on 2000 levels) by 2020. It has also publicly stated its intention to negotiate the competitive closure of brown coal power plant equivalent to 4 million tonnes (Mt) GHG over the next four years.

The National Greenhouse and Energy Reporting Act, effective from July 2008, introduced obligations for measurement and reporting of greenhouse gas emissions (including carbon dioxide), energy consumption and energy production. Further, a number of existing and proposed renewable obligations and energy efficiency obligations exist at both Federal and State levels. In particular, the Mandatory Renewable Energy Target requires 20 per cent. of electricity to be generated from renewable sources by 2020, and provides separate targets for large- and small-scale renewable generation.

In the United States, there are currently no mandatory federal GHG emission reduction programmes (including CO_2), affecting the Group's Power Generation Plants. However, there is federal GHG legislation pending before the United States Congress that would, if enacted, constrain GHG emissions, including CO_2 and/or impose costs on the Group that could be material to its business or results of operations. Also, the federal Environmental Protection Agency (the "**EPA**") has proposed regulation that could result in a requirement for all new large sources of GHG emissions, and existing large sources planning physical changes that would increase their GHG emissions, to obtain new source review permits from the EPA. Certain states, either individually or in regional groups, have undertaken steps to limit GHG emissions, for example, the Group's assets in New England participate in a regional carbon reduction scheme, the Regional Greenhouse Gas Initiative ("**RGGI**"), which sets carbon reduction levels for ten state areas in northeast United States and requires credits be obtained for any carbon emissions. Any such regulations or changes in regulation could increase the Group's costs directly and indirectly and have a material adverse effect on its business and/or results of operations.

The Group often seeks to pass on any costs arising from CO_2 emissions to contract counterparties, but there can be no assurance that the Group will effectively pass on such costs to the contract counterparties or that the cost and burden associated with any dispute over which party bears such costs would not be burdensome and costly to the Group.

In addition to government regulators, other groups such as politicians, environmentalists and other private parties have expressed increasing concern about GHG emissions. Also, in recent cases in the United States not involving the International Power Group's or the GDF SUEZ Energy International Division's operations, federal appellate courts have reversed the dismissal of nuisance and other claims against emitters of GHG.

Furthermore, physical risks from climate change could include, but are not limited to, increased run-off and earlier spring peak discharge in many glacier and snow fed rivers, warming of lakes and rivers, an increase in sea level, changes and variability in precipitation and in the intensity and frequency of extreme weather events. Physical impacts may have the potential to affect the Group's business and operations significantly. For example, extreme weather events could result in increased downtime and operation and maintenance costs at the Group's Power Generation Plants and support facilities. Variations in weather conditions, primarily temperature and humidity, also would be expected to affect the energy needs of customers. A decrease in energy consumption could decrease its revenues. In addition, while revenues would be expected to increase if the energy consumption of customers increased, such increase could prompt the need for additional investment in generation capacity. Changes in the temperature of lakes and rivers and changes in precipitation that result in drought could adversely affect the operations of the Group's Power Generation Plants.

The Group's insurance coverage may not be adequate to cover it for all possible losses it incurs in the event of loss or damage to any of its Power Generation Plants or project companies

As a result of the Group's operating risks and other potential hazards associated with the power generation industry, the Group may from time to time become exposed to significant liabilities for which it may not have adequate insurance coverage. Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks, such as earthquakes, floods, lightning, hurricanes and wind, hazards, such as fire, explosion, collapse and machinery failure, are inherent risks in the Group's power generation projects which may occur as a result of inadequate internal processes, technological flaws, human error or certain external events. The control and management of these risks depend upon adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programmes supported by quality control systems which reduce, but do not eliminate the possibility of the occurrence and impact of these risks.

The hazards described above can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in the Group or a member of the Group being named as a defendant in lawsuits asserting claims for substantial damages, environmental clean-up costs, personal injury and fines and/or penalties.

The Group has insurance for its Power Generation Plants, including in most cases property insurance, commercial general liability insurance, boiler and machinery coverage and business interruption insurance, in amounts and with deductibles that they consider appropriate. The Group will maintain an amount of insurance protection that it believes is adequate, but there can be no assurance that its insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which it may be subject. A successful claim for which the Group is not fully insured could have a material adverse effect on its financial results and financial condition. Further, due to rising insurance costs and changes in the insurance markets, it cannot provide assurance that insurance coverage will continue to be available on terms similar to those presently available to it or at all.

Furthermore, the proceeds of insurance for covered risks may not be adequate to cover lost revenue or increased expenses or the cost of repair or replacement. This loss of revenue, increased expense or additional cost will decrease or may eliminate the distributions the Group expects to receive, which may adversely affect its financial condition. In addition, with respect to existing project level indebtedness, in most cases insurance proceeds must be used to rebuild or restore the affected plant or project or to repay the existing project level indebtedness. Also, in case of insolvency of the Group's insurance carriers, it may recover less insurance proceeds than it is entitled or no proceeds at all.

The occurrence of a significant adverse event not fully or partially covered by insurance could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may not be able to obtain insurance for certain risks under terms acceptable to it or at all

The Group generally seeks to insure its projects against known risks in accordance with common industry practice and in accordance with lenders' requirements to the extent applicable. However, the Group may not be able to obtain insurance, particularly against acts of terrorism or expropriation, or insurance may only be available under terms, including amount of premium payable and deductibles, that are not considered acceptable. Furthermore, pursuant to the terms of certain of the International Power Group's non-recourse project-level debt facilities, a failure to maintain or obtain, in the future, insurance against certain risks, including acts of terrorism, could, in the absence of a consent or a waiver from the relevant lender(s), constitute an event of default under one or more of such non-recourse project-level debt facilities which could affect the business and revenues of the relevant project company and therefore its ability to make distributions to members of the Group which may in turn adversely affect the Group's financial condition, and could also result in the Group losing its interest in the relevant project company.

The Group's renewable energy Power Generation Plants and other initiatives face uncertainties including operational and regulatory challenges

Some of the Group's Power Generation Plants are dependent upon favourable regulatory incentives, and there is uncertainty about the extent to which such favourable regulatory incentives will be available in the future. For example, the Italian Parliament approved a change to the law in July 2010 that provided for decisions to be made later in the year as to the future of the green certificate (CVs) pricing mechanism on the basis of a general reduction of 30 per cent. in the cost to the local regulator (GSE) of buyback of CVs, of which 80 per cent. was expected to come from a reduction in the amount of CVs to be bought back. Draft legislation was approved by the Italian Government on 30 November 2010 indicating that the level at which the regulator would support the CV price received by existing capacity would fall compared to the level supported under the current regime, and after 2015 existing plants would receive a feed in tariff. The pricing structure of the proposed feed in tariff has not been defined and the draft proposal still requires several further approvals before becoming law. Furthermore, production levels for the Group's wind Power Generation Plants may be dependent upon adequate wind which can vary from period to period, resulting in volatility in production levels and profitability. For example, for the International Power Group's European wind Power Generation Plants, wind resource estimates are based on probabilities over a 10-year period, and are not expected to reflect actual wind energy production in any given year. Any of the above may, in turn, affect the revenues of the relevant Power Generation Plant and, therefore, its ability to make distributions to other members of the Group, which may have an adverse impact on the Group's financial condition.

The Group's Power Generation Plants may experience equipment failures or may otherwise not operate as planned

The continued operation of the Group's Power Generation Plants involves many risks, including the failure or performance below expected levels of output or efficiency of its Power Generation Plants or other equipment, including information technology used to operate its plants. If the Group has committed to sell electricity under a contract and it cannot generate that electricity due to mechanical failure, it may suffer a loss, either through loss of revenue or due to penalties under the contract. The Group may also be required to purchase electricity at prevailing market rates from other sources or to make capacity payments to its customers. No assurance can be given that equipment failures in the future will not have a significant adverse effect on its business or results of operations.

The Group's businesses are heavily reliant on its IT infrastructure

The Group's businesses, including its retail businesses, are heavily reliant on its IT infrastructure. The Group utilises its infrastructure to, among other things, conduct its trading operations, monitor its positions and measure risk. If the Group's IT infrastructure, including its back-up facilities, were to fail, such failure could lead to an inability to monitor its positions and conduct trading, and could therefore lead to increased costs in its positions and potentially losses. Any increase in costs or losses could have an adverse effect on the Group's financial condition and results of operations. In addition, a protracted loss of information stored in the Group's IT systems could compromise its ability to comply with its statutory reporting requirements. More generally, a failure of the Group's IT infrastructure could result in loss of business or data and violations of confidentiality.

New Power Generation Plants that employ advanced technology may not achieve the levels of operating performance expected by the manufacturers of the plants

New Power Generation Plants may employ recently developed and technologically complex equipment, which has limited or no operating history. Plants that utilise such equipment may not achieve the contractual levels of output or efficiency specified by the original equipment manufacturer when constructing the plant. The manufacturer may not be able to rectify fully the performance deficiencies and, while the supplier will be liable for damages to compensate for these shortfalls, this may lead, for example, to Power Generation Plants operating below their expected capacity or operating less efficiently or flexibly than the Group had assumed.

The Group's Power Generation Plants, contractors and certain of its development projects are subject to varying degrees of unionisation, which may disrupt operation or delay completion of the Group's construction projects

The Group's relationships with the unions have generally been good. While to date the Group's development projects have not been adversely affected by disputes with contractors and their employees, there can be no assurance that future industrial action may not significantly disrupt the Group's operations or delay construction of its development projects.

The Group's ability to operate its Power Generation Plants and respond to unexpected events is dependent on the availability of skilled personnel

The Group depends to a significant degree on the continued services of its key personnel. Their knowledge of the energy markets and their skills and experience will be crucial elements to the success of its business. Qualified personnel are in great demand throughout the power industry. The loss of any of its key personnel or its inability to attract, retain and motivate additional qualified management and other personnel could have a material adverse effect on the Group's business.

Certain of the Group's businesses are sensitive to variations in weather

Certain of the Group's businesses are affected by variations in general weather conditions and unusually severe weather. While precise models may differ, the International Power Group and the GDF SUEZ Energy International Division both forecast electricity and gas sales on the basis of normal weather, which represents a long-term historical average. While the Group also considers possible variations in normal weather patterns and potential impacts on its facilities and its businesses, there can be no assurance that such planning can prevent these impacts, which can adversely affect its business. Generally, demand for electricity peaks in winter and summer. Moreover, wind and rainfall patterns may affect the operations of its wind and hydro Power Generation Plants.

Typically, when winters are warmer than expected and summers are cooler than expected, demand for energy is lower, resulting in less demand for electricity and gas than forecasted. Significant variations from normal weather where the Group's businesses are located could have a material impact on its results of operations.

Further consolidation among the Group's major suppliers could increase the extent of completion and technical risk faced by its business and reduce its ability to use commercial mechanisms to mitigate this risk

Costs of new power plants are significant and the build phase has programme (delayed completion) and technical performance risks. The policy of the Group is, wherever possible, to award major contracts on an EPC basis. EPC contracts transfer the majority of the design and construction risks to the contractor, and provide substantial protection through liquidated damages, in the event of failure on the part of the contractor to meet contractual completion or plant performance targets. The power plant sector has consolidated significantly over the past two decades and further consolidation could reduce competition to the point where prices increase and the Group's ability to secure commercial protection within EPC contracts is diminished. The Group would also be subject to concentration risk, becoming dependent on a very small number of suppliers for replacement parts and overhaul and maintenance services.

Competition is increasing and could adversely affect the Group

The power generation markets in which the Group operates are characterised by numerous strong and capable competitors, many of whom may have extensive and diversified developmental or operating experience (including both domestic and international) and financial resources similar to or greater than the Group's experience and resources. Further, in recent years, the power production industry has been characterised by strong and increasing competition with respect to both obtaining power sales agreements and acquiring existing power generation assets. In certain markets, these factors have caused reductions in prices contained in new PPAs and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding practices. In addition, in gas and power retail markets where sales contracts are set for shorter periods, for example one to five years, competitive pressure could have a significant negative effect on sales prices, margins and market shares of certain retail activities of the Group. The evolution of competitive electricity markets and the development of efficient gas-fired power generation plants have also caused, or are anticipated to cause, price pressure in certain power markets where the Group operates. These competitive factors could have a material adverse effect on the Group's results of operation and financial condition.

The Group may not be successful in responding to changes in the independent power industry

The Group may not be able to respond in a timely or effective manner to the many changes in the independent power industry in each of the markets in which it operates. These changes may include deregulation of the independent power industry in some markets, increased regulation of the independent power industry in other markets and increasing competition in most markets. Deregulation may result in the entrance of additional significant competitors in the market place and, to the extent competitive pressures increase and the sale of electricity assumes commodity characteristics, the profitability of the Group's business may come under increasing downward pressure. The entrance of additional competitors in the market place could also increase the price of potential acquisition targets and growth projects. As a result, the Group may not be able to maintain its revenues and earnings in this competitive marketplace or acquire or develop new assets to pursue its growth strategy. Increased regulation may also result in delays in obtaining or renewing appropriate licences, permits or approvals, the need to make additional capital expenditures, increased construction, compliance and operating costs, or reduced generation, any of which could have a material adverse effect on the Group's results of operations and/or financial condition.

The International Power Group is, and the Enlarged International Power Group will be required to stand behind its pension funds to ensure that they meet current and future commitments

The International Power Group operates a number of defined benefit pension schemes, which effectively guarantee their members that they will receive pensions related to their final salary at retirement. This gives rise to a risk that the schemes will not have sufficient funds to meet these obligations, in which case the International Power Group and, following Closing, the Enlarged International Power Group would be required to take steps to make up any deficit. The main defined benefit plans operated by the International Power Group are in the UK and Australia.

At their latest triennial valuations (formal agreements completed on 23 November 2010 but each with effective date 31 March 2010), the International Power Group's two UK defined benefit pension schemes recorded a combined deficit of £59 million (on combined assets of approximately £167 million). In order to repair the deficits, recovery plans have been agreed between the Company and the two boards of pension trustees which are designed to eliminate the shortfalls by early 2015. An initial lump sum will be paid into each scheme by the end of January 2011, with the total of the two payments being £24 million. Monthly payments will then be made on a uniform basis over the remainder of the recovery plan periods, with combined annual payments of approximately £9 million.

In Australia, the combined deficits of the three defined benefit plans were measured on an accounting basis, in December 2009, at around £24 million. Following the most recent actuarial valuations of these plans, in June 2008, International Power increased its contributions to liquidate the deficits in accordance with the recommendations of the plan actuaries. The risk of significant increases to the International Power Group's and, following Closing, the Enlarged International Power Group's obligations under the Australian plans is limited by the "lump sum" nature of the retirement benefit payment. Both post-retirement inflation risk and longevity risk, which would each apply were benefits paid as pensions, are removed from consideration where benefits are paid as cash in a lump sum.

International Power was a "successor company" under the Electricity Act 1989 and may, as a consequence, remain liable for pension commitments to employees and former employees of International Power who have ceased to be members of its own pension schemes

International Power and First Hydro Company (a subsidiary of International Power) employ protected employees and are treated as the employer of protected beneficiaries (together with the protected employees, the "**protected persons**") for the purpose of the Electricity (Protected Persons) (England and Wales) Regulations 1990 (the "**EPP Regulations**"). These regulations were designed to protect the future and the accrued pension rights of employees and beneficiaries who were employed in the electricity industry in England and Wales before its privatisation under the Electricity Act of 1989. The EPP Regulations impose a duty on the "employer" of such protected persons to ensure that protected employees may continue to accrue pension rights under the Electricity Supply Pension Scheme (or a suitable alternative arrangement put in place on a change of employer) and that the accrued rights of protected persons are appropriately funded.

International Power was a "successor company" for the purposes of the Electricity Act 1989, by virtue of it being one of the entities to which the electricity industry was originally transferred on privatisation. As a "successor company", International Power may also be liable under the EPP Regulations in respect of any of its former employees who are protected persons, even though their benefits may now be provided under a pension arrangement of another employer, if neither that new employer (or any further new employer to which they or their pension obligations may be transferred) nor its parent company was itself a "successor company". This potentially includes employees and former employees of the UK energy group that was demerged from International Power in 2000 (and now forms part of the RWE Npower Group) together with the employees of businesses which have in the past been sold by International Power. Whilst the amount of any such potential liability is unquantifiable at this stage, International Power has the benefit of a statutory joint and several indemnity from the relevant new employer and its parent company in relation to any such claim against it under the EPP Regulations. Whilst the International Power Directors are not currently aware of any such liabilities having arisen to date or of International Power having made any related claims from such companies under the statutory indemnity, if those companies were to default on their obligations to International Power (such as in circumstances of financial difficulty), International Power may be exposed to claims under the legislation by former employees or beneficiaries who are protected persons under the EPP Regulations, and if such claims are in respect of material amounts, this could have an adverse impact on the financial condition of International Power.

The Group's results of operations will depend significantly on the tax treatment of its operations in various jurisdictions. The Group's tax treatment in such jurisdictions and therefore its results of operations may be adversely affected by changes in law or interpretation by the relevant taxing authorities

The Group operates under many legal forms and in many countries. As a result, it will be subject to many taxing jurisdictions, tax agreements, rulings and treaties among the various taxing authorities. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations. The financial projections of the Group are based on assumptions over the nature of national tax regimes and international tax treaties and when investing in new projects it is required to make projections about the nature of tax regimes many years into the future and these projections may not be borne out by events. Furthermore, where tax authorities do not agree with the Group's interpretation of tax legislation it can take many years to arrive at a final determination of the tax liability. The Group has a number of actual and potential liabilities arising from certain tax planning assumptions that have not yet been confirmed by the relevant fiscal authorities.

Changes in tax laws, regulations, agreements, rulings and treaties, foreign currency exchange restrictions or the Group's level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of income taxes that it records during any given year which may have a material adverse effect on the Group's results of operation and financial condition.

Risks relating to development or acquisitions of Power Generation Plants, infrastructure and other assets

Financing for new power generation plants, infrastructure projects or other acquisitions of assets may not be available to the Group on acceptable terms in the future or at all

The International Power Group and its joint ventures have financed existing Power Generation Plants from a variety of sources, including corporate debt and non-recourse project financing (that is, financing without recourse to resources beyond equity commitment to the project). As at 30 September 2010, the International Power Group and the proportionate share of its joint ventures had approximately £5,713 million of net financial debt including the impact of debt derivatives qualifying as hedges. A significant portion of the International Power Group's indebtedness is limited recourse project financing, which is structured to be fully paid out of cash flow provided by the project company or project companies. In the event of a default under a financing agreement that the Group either chooses not to cure or cannot cure, the lenders would generally have rights to the plant and any related assets. In the event of foreclosure after a default, the Group might not retain any interest in the plant, and would therefore no longer receive distributions of funds from the relevant project companies.

While the Group may seek to finance its project-level activities from non-recourse financing when appropriate, market conditions and other factors may prevent similar financing for future plants or may limit its ability to refinance existing plants. In addition, market conditions may limit the number of financial institutions that are willing to provide financing to companies in the power generation industry on a limited recourse basis, or affect the cost of such financing. For example, liquidity in the financial markets was reduced from the second half of 2008 until recently due to the global banking and financial crisis, which led to increases in the cost of obtaining non-recourse financing. Whilst the Group believes that it will be able to finance all of its future project-level activities on terms satisfactory to it, if this were not to be the case, the Group would either not proceed with any project where non-recourse financing was not available on satisfactory terms or, if the Group wished to continue with such project notwithstanding the lack of non-recourse financing, it would seek to finance any such project with recourse to the Group's balance sheet.

International Power may be required to guarantee the indebtedness of members of the Enlarged International Power Group under future facilities. This would render its general corporate funds vulnerable in the event of a default by the plant or subsidiary. Additionally, the terms of the International Power Group's financings currently restrict the ability of certain members of the International Power Group to guarantee future debt, which could adversely affect its and/or the Enlarged International Power Group's ability to fund new projects, and may continue to do so in the future. The terms of the International Power Group's current financing arrangements do not, and the terms of the Financing Framework Agreement, which will apply to the Enlarged International Power Group from Closing, will not, limit the ability of its subsidiaries, joint ventures or associates to incur non-recourse or lease financing for investment in new projects.

The Group will also consider the use of corporate debt for future projects. However, it is possible that it may be unable to obtain such debt on terms satisfactory to it.

The Group is subject to counterparty credit risk from the vendors of acquired companies and exposed to the purchasers of the Power Generation Plants that it sells to the extent of indemnities, representations and warranties included in the relevant agreements for the benefit of the purchasers

Under the terms of the acquisition agreements, vendors give certain representations, warranties, indemnities and covenants in the International Power Group's or the GDF SUEZ Energy International Division's favour (which is also expected to continue to be the case in respect of acquisition agreements that the Enlarged International Power Group may enter into). Their ability to recover any amounts in respect of those representations, warranties, indemnities and covenants is dependent, among other things, on the continued solvency of the respective vendors or any guarantor of their obligations. In addition, the liability of each of the vendors is limited. If the Group experiences costs or other losses associated with its acquisitions for which the vendors are unable to indemnify it or in excess of the limits on the liability of the vendors, it could have a negative effect on its results of operations and/or financial condition. When the Group sells a Power Generation Plant, it also gives certain representations, warranties, indemnities and covenants for the benefit of the relevant purchaser and may face liabilities towards the relevant purchaser after the closing of the relevant transaction.

Development and construction of Power Generation Plants and infrastructure projects are subject to risks and uncertainties

Complex infrastructure projects such as power generation plants require significant expenditure for preliminary engineering, permitting, legal and other expenses in preparation for competitive bids even before it can be determined whether a project is feasible, economically attractive or capable of being financed. Successful development and construction is contingent upon, among other things, negotiation of satisfactory engineering, construction, fuel supply and power sales contracts with other project participants, receipt of required governmental permits and consents, and timely implementation and satisfactory completion of construction. There can be no assurance that the Group will in the future be able to enter into power purchase and tolling agreements on terms satisfactory to it, overcome local opposition, if any, obtain the necessary facility sites, negotiate construction contracts, fuel supply agreements and other critical project contracts, obtain environmental and other governmental permits and approvals, and secure financing commitments necessary for the successful development of its projects on time and within budget. If these development efforts are not successful, the Group would likely expense all capitalised development costs incurred in connection therewith and could incur additional losses associated with any related contingent liabilities.

In addition, there is a risk that the Group's projects under construction may not commence operations as scheduled. The commencement of operation of a newly constructed Power Generation Plant involves many risks, including:

- the ability to obtain relevant environmental consents and permits;
- engineering and construction risks relating to cost-overruns, delays and performance;
- the breakdown or failure of equipment or processes; and
- start-up problems.

These risks may significantly delay the commencement of operations of such projects. Any material unremedied delay in, or unsatisfactory completion of, construction of the Group's current or future projects or any delay in the commencement of operations of a newly constructed Power Generation Plant may, in each case, affect the business and revenues of such projects which could affect the ability of the relevant project company or Power Generation Plant to make distributions to other members of the Group, which may have an adverse impact on the Group's financial condition.

The Group's acquisition activities may not be successful due to potential substantial regulatory approvals and initial costs and it may not recover incurred costs for such activities

The Group's ability to expand its business depends on its ability to develop projects or acquire assets. The acquisition of power generation plants can be time consuming and highly complex. Although the Group actively manages the costs involved in the preliminary steps in the acquisition of assets, the preparation involved in determining whether an acquisition is feasible, economically attractive or capable of financing may require it to expend significant sums. The acquisition of assets may also entail obtaining substantial regulatory approvals, securing the consent of partners, offtakers and other relevant parties, obtaining the necessary environmental and other permits and financing commitments and performing a significant amount of due diligence. However, no assurance can be given that any particular power acquisition opportunity will ultimately prove feasible or economically justifiable or that the Group will acquire all necessary consents or authorisations to proceed. If the Group is unable to complete the contemplated acquisition, it may not be able to recover the costs it incurred.

If a project company achieves performance below expected levels of output or efficiency or fails to make specified payments under its financing obligations or to meet certain performance levels, the Group may lose its interest in the project company

New Power Generation Plants have no operating history and may in some cases employ recently developed and technologically complex equipment. Insurance is maintained to protect against the risk of equipment failure. In addition, warranties are generally obtained for limited periods relating to the construction of each plant and its equipment in varying degrees, and contractors and equipment suppliers are obliged to meet certain performance levels. The insurance, warranties or performance guarantees, however, may not be adequate to cover lost revenues or increased expenses. As a result, a project company may be unable to fund principal and interest payments under its financing obligations and may operate at a loss. A default under such a financing obligation could result in the Group losing its interest in a Power Generation Plant.

In addition, PPAs entered into with an offtaker early in the development phase of a plant may enable the offtaker to terminate the agreement, or to retain security posted as liquidated damages if a plant fails to achieve commercial operation or certain operating levels by specified dates or a project company fails to make specified payments. In the event a termination right is exercised, the default provisions in a financing agreement may be triggered (rendering such debt immediately due and payable). As a result, the project company may be rendered insolvent and the Group may lose its interest in the project. Any of the above may, in turn, affect the revenues of the relevant Power Generation Plant and, therefore, its ability to make distributions to other members of the Group, which may have an adverse impact on the Group's financial condition.

The Group may have difficulty integrating future acquisitions with its existing operations

The integration and operation of any future acquisitions may expose the Group to certain risks, including the following:

- difficulty in integrating the acquired businesses in a cost-effective manner, including the establishment of effective management information and financial control systems;
- unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions;
- significant unexpected liabilities or contingencies arising from the acquisitions, for which the Group is not fully indemnified;
- potential disruptions to the Group's ongoing business caused by its senior management's focus on the acquired companies; and
- performance of acquired assets may not meet the Group's expectations or plans.

If the Group was unable to integrate successfully any businesses it may acquire in the future, it could have a negative effect on the results of its operations and/or or its financial condition.

Specific risks relating to the GDF SUEZ Energy International Division

The GDF SUEZ Energy International Division is dependent on a limited number of suppliers of natural gas

The GDF SUEZ Group, including the GDF SUEZ Energy International Division, has entered into long-term contracts with its main suppliers of natural gas. A certain amount of gas is supplied from countries with high political and economic risk profiles such as Russia, Algeria, Egypt, Libya or Yemen. If one or more of the GDF SUEZ Energy International Division's major suppliers were to fail to supply gas over a period of time for any reason, or if LNG supply were to be reduced permanently due to new law, or regulations or other reasons, the cost of finding an alternative gas supply and transporting the gas from a new location could be substantial and could affect the GDF SUEZ Energy International Division's margins, at least in the short term.

The GDF SUEZ Energy International Division is exposed to the risks associated with long-term "take-or-pay" gas procurement contracts which include minimum volume commitments

To guarantee availability of the quantities of natural gas required to supply its customers in future years, some of the GDF SUEZ Energy International Division's contracts are "take-or-pay" contracts, (pursuant to which the purchaser undertakes to pay pre-determined amounts for a product or service regardless of whether the quantity in question is actually required by it), which include regular price revision mechanisms to guarantee competitive gas prices to the buyer in the end market. If the price of the purchased gas becomes less competitive, the GDF SUEZ Energy International Division would be exposed to the "take-or-pay" risk on the quantities purchased prior to the price revision which could impact on the GDF SUEZ Energy International Division's operating results.

The GDF SUEZ Energy International Division is exposed to risks related to the renewal of the GDF SUEZ Energy International Division's gas transportation contracts

The revenues of the GDF SUEZ Energy International Division's gas pipeline business are generated under contracts that expire periodically and need to be renegotiated, extended or replaced, thereby exposing the GDF SUEZ Energy International Division to the risk that such contracts are not renewed at all, or are renewed on less favourable terms than those contained in its existing contracts. This could have an adverse affect on the GDF SUEZ Energy International Division's margins and results of operations.

The GDF SUEZ Energy International Division is exposed to regulatory risks associated with gas distribution and sales activities

The tariffs for the use of the GDF SUEZ Energy International Division's gas distribution networks are in most cases determined through a regulated process, in which the regulator ensures the network operator receives revenues from the investment or asset and operation of the network with a certain profit. If a regulator makes unfavourable changes to the gas distribution tariffs, such tariffs may not fully cover the GDF SUEZ Energy International Division's investment and maintenance costs.

Gas sales activities are exposed to gas price variations. The GDF SUEZ Energy International Division may not be able to pass through all operating costs (including the costs associated with the use of networks and the price of gas) to customers. In markets where sales tariffs are regulated, gas price escalation formulae usually have the effect of offsetting this risk. However, the regulator may limit the "pass through" of potential gas price increases to customers, resulting in a potential impact on the GDF SUEZ Energy International Division's margins.

In addition, as the tariffs are usually determined on a yearly volume forecast, if the gas consumption during the year is lower than forecasted, there is a risk that revenues will not cover the costs. In most cases, a claw-back formula within the tariff setting mechanism allows the gas distributor and sales operator to offset this volume risk. If there is no such claw-back formula the decrease of volumes could have a negative impact on the GDF SUEZ Energy International Division's results of operations.

The GDF SUEZ Energy International Division is exposed to risks of the price of natural gas and the demand for LNG regasification capacity being exposed to volatile and cyclical variations

Natural gas prices have been, and are likely to continue to be, volatile and subject to large fluctuations in response to changes in the supply of, and demand for, natural gas, the extent of domestic production and importation of gas in relevant markets, weather conditions, the competitive position of natural gas as compared with other energy sources, and the impact of regulation on the production, transportation and sale of natural gas. Any significant decline in the price of natural gas could have a material adverse effect on the GDF SUEZ Energy International Division's gas business and operating revenues.

The demand for LNG regasification capacity could be subject to cyclical swings, reflecting alternating periods of under-supply and over-supply of LNG importation capacity and available natural gas. A significant variation in demand for LNG regasification capacity may impact adversely the financial performance of the GDF SUEZ Energy International Division and result in reduced operating revenues.

The risk of industrial accidents and business interruption in relation to the GDF SUEZ Energy International Division's natural gas activities

Gas transportation and distribution and the operation of LNG tankers and regasification facilities can result in accidents, potentially linked with design flaws or external events beyond the GDF SUEZ Energy International Division's control (including third-party actions or natural disasters). These incidents can cause injuries, loss of life, major property or environmental damage, in addition to business interruptions all of which could result in operating losses for the GDF SUEZ Energy International Division.

In addition, a variety of events including the unavailability of a major structure such as an LNG terminal or storage facility, a sustained political crisis involving jurisdictions in which the GDF SUEZ Energy International Division's production and/or transit activities are located, loss of control of manufacturing resources or a build up of gas stocks due to changes in gas movement schedules or natural disasters (such as an earthquake, volcanic activity or a flood), could halt gas deliveries on a wide geographic scale. This could result in reduced revenues, concomitant claims for compensation, a negative impact on the GDF SUEZ Energy International Division's reputation and/or breaches by the GDF SUEZ Energy International Division of its contractual obligations.

Risks associated with the GDF SUEZ Energy International Division's operations in Latin America

The GDF SUEZ Energy International Division has been active in Latin American markets, including Brazil, Argentina, Chile, Central America and Peru, for nearly 20 years.

The operation, financing and development of projects in Latin America expose the GDF SUEZ Energy International Division to risks in such jurisdictions including economic, social and political instability, changes in economic variables such as inflation and exchange rate fluctuations, unfavourable evolution of applicable regulations or requirements, unwillingness of governments, government agencies or counterparties to honour contracts to which they are a party, and expropriation or nationalisation of the GDF SUEZ Energy International Division's assets by the relevant country's public authorities. Any of these risks, should they materialise, could materially and adversely affect the GDF SUEZ Energy International Division's business, results of operations and/or financial condition.

There are risks relating to ownership of stakes in listed subsidiaries

The GDF SUEZ Energy International Division holds a number of equity interests in publicly-traded companies, the value of which fluctuate on the basis of trends in the world's stock markets, and the trends in the local stock market on which the publicly-traded company is listed. An overall decline in the value of these securities would have an impact on the GDF SUEZ Energy International Division's earnings or shareholders' equity, in particular if the decline is considered significant or prolonged.

Risks relating to the Debt Facilities of the Group

The Group may not be able to refinance or renew its long-term credit facilities on acceptable terms or at all

Under the Financing Framework Agreement, Electrabel, a wholly-owned subsidiary of GDF SUEZ, will commit to provide (or to procure that other members of the GDF SUEZ Group will provide) certain financing to the Enlarged International Power Group (other than publicly listed subsidiaries and, in certain instances, project finance subsidiaries) which will include (a) long term funding up to a maximum annual amount equal to the aggregate financing needs of the Enlarged International Power Group as set out in the annual budget for each financial year of International Power ("**Tranche A**"); (b) £550 million by way of guarantees to support the operations of the Enlarged International Power Group ("**Tranche D**") and (c) cash pooling arrangements of up to £400 million available to fund the Enlarged International Power Group's short-term working capital requirements and liquidity requirements for margin calls related to trading activities (the "**Cash Pooling**").

The commitment periods applicable to Tranche A, Tranche D and the Cash Pooling shall be as follows:

- **Tranche A and Tranche D** – from Closing until 31 December 2013 (the "**Initial Commitment Period**"), extended automatically by one year and each year thereafter (an "**Additional Commitment Period")** unless Electrabel, in its sole discretion, gives fifteen months notice prior to the expiry of the Initial Commitment Period or the relevant Additional Commitment Period that no such extension shall take place.
- **Cash Pooling** – from Closing until 31 December 2013 (the "**Initial Cash Pooling Period**") and extended automatically by one year and each year thereafter (an "**Additional Cash Pooling Period**") unless otherwise notified by a party thereunder to the other party thereunder fifteen months prior to the expiry of the Initial Cash Pooling Period or the relevant Additional Cash Pooling Period that no such extension shall take place.

Electrabel may decide that it does not wish to extend its commitments under Tranche A, Tranche D or the Cash Pooling following 31 December 2013. The terms of the Financing Framework Agreement require that Electrabel shall provide International Power with at least fifteen months notice of its decision not to make any such extension, following which the Enlarged International Power Group may need to seek alternative financing. In addition, in relation to any debt to be refinanced by Electrabel that is repayable with a "bullet" payment on maturity, the Enlarged International Power Group's ability to make such payments at maturity may depend upon its ability to obtain additional equity or debt financing.

The Financing Framework Agreement also provides that, in the event of a change of control of International Power, upon notice thereof by Electrabel, the commitments shall be immediately cancelled and terminated, any loans drawn shall be immediately prepaid, cash collateral shall be provided in respect of any guarantees issued under Tranche D and each account balance relating to the Cash Pooling shall be immediately settled. A change of control for this purpose will take place if (a) GDF SUEZ ceases to consolidate globally (in accordance with International Financial Reporting Standards) International Power or (b) GDF SUEZ's interest in International Power falls below 50 per cent. A standstill period applies to these provisions, so that they shall not become effective until eighteen months following Closing. However, should a change of control occur and the Financing Framework Agreement terminate following such standstill period, the Enlarged International Power Group may need to seek alternative financing.

The ability to obtain equity or debt financing on as favourable terms or at all would depend on many factors outside the Enlarged International Power Group's control, including the then prevailing conditions in the international credit and capital markets. The Enlarged International Power Group's ability to sell assets and use the proceeds for the refinancing of such debt obligations would also depend on many factors outside its control, including the existence of willing purchasers and asset values. If the Enlarged International Power Group's borrowings become more expensive, the profits of the Enlarged International Power Group could be adversely affected, which could have a material adverse effect on the business, financial condition and/or results of operations of the Enlarged International Power Group.

Project development can also, on occasion, require credit support in the form of instruments issued by banks. In the unlikely event that credit support facilities from Electrabel or external banks are unavailable to support the Group's growth developments, this could require it to reduce its development activities.

Certain guarantees provided by entities within the Wider GDF SUEZ Group are currently in place in respect of the assets that will be transferred to the Enlarged International Power Group as part of the Transaction. The terms of the Financing Framework Agreement provide that these guarantees will be maintained for a period of 18 months following Closing (the "**Initial Relevant Period**"), which will be extended automatically by one year and each year thereafter (an "**Additional Relevant Period**") unless Electrabel, in its sole discretion, gives 15 months notice prior to the expiry of the Initial Relevant Period or the relevant Additional Relevant Period that no such extension shall take place. As of the date of the Financing Framework Agreement, the total amount of these guarantees was approximately €4.3 billion, and should GDF SUEZ choose to terminate them following the initial 18 month period there may be adverse consequences for the Enlarged International Power Group in the event that replacement guarantees cannot be obtained.

Existing and potential future defaults by subsidiaries, joint ventures or associates could adversely affect the Group

The International Power Group attempts to finance its domestic and foreign Power Generation Plants primarily under loan agreements and related documents which, except as noted below, require the loans to be repaid solely from the Power Generation Plant's revenues and provide that the repayment of the loans (and interest thereon) is secured solely by the shares, physical assets, contracts and cash flows of that project company. This type of financing is usually referred to herein as "non-recourse debt" or "project financing." In some project financings, the International Power Group has explicitly agreed to undertake certain limited obligations and contingent liabilities, most of which by their terms will only be effective or will be terminated upon the occurrence of future events. These obligations and liabilities take the form of guarantees, indemnities, contingent equity investments, letter of credit reimbursement agreements and agreements to pay, in certain circumstances, the project lenders or other parties.

As at 30 September 2010, the International Power Group and the proportionate share of its joint ventures had net financial debt including the impact of debt derivatives qualifying as hedges, of £5,713 million, of which approximately £1,078 million was recourse debt of International Power and approximately £4,635 million was non-recourse net debt. In addition, International Power has outstanding credit facilities, guarantees, letters of credit, cash collateral and other credit support commitments.

While the lenders under the Group's non-recourse project financings generally do not have direct recourse to International Power (other than to the extent of any credit support given by International

Power), defaults by subsidiaries, joint ventures and associates could still have important consequences for International Power, including, without limitation:

- reducing International Power's receipt of dividends, fees, interest payments, loans and other sources of cash since the project company will typically be prohibited from distributing cash to International Power during the pendency of any default;
- triggering International Power's obligation to make payments under any financial guarantee, letter of credit, cash collateral or other credit support which International Power has provided to or on behalf of such subsidiary, joint venture or associate;
- causing International Power to record a loss in the event the lender forecloses on the assets; or
- the loss or impairment of investor confidence in the Group.

The Group's substantial indebtedness could adversely affect its financial health and ability to withstand adverse developments and prevent it from fulfilling its indebtedness obligations

The Group (including joint ventures) has a significant amount of indebtedness and substantial debt service obligations. As at 30 September 2010, the International Power Group and the proportionate share of its joint ventures, had net financial debt including the impact of debt derivatives qualifying as hedges of £5,713 million.

The Group's substantial indebtedness could have important consequences and will require the Group to dedicate a substantial portion of its operating cash flows to making periodic principal and interest payments on its indebtedness, thereby reducing its operational and financial flexibility and the cash available to pay dividends to International Power's shareholders. For example, it will, among other things:

- increase its vulnerability to general adverse economic and industry conditions;
- limit its ability to borrow additional funds or to sell or transfer assets in order to refinance existing indebtedness or fund future working capital, capital expenditures, any future acquisitions, research, development and technology process costs and other general business requirements;
- limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; or
- increase the volatility of its earnings.

Any of the above listed factors could materially adversely affect the results of operations and/or financial condition of the Group.

In addition, a portion of the Group's debt bears interest at variable rates that are linked to changing market interest rates. Although the Group may hedge a portion of its exposure to variable interest rates by entering into interest rate swaps, no assurance can be given that it will do so in the future. As a result, an increase in market interest rates would increase the Group's interest expense and its debt service obligations, which may exacerbate the consequences of the Group's substantial indebtedness described above.

Risks related to the Combination

The Enlarged International Power Group may experience difficulties in integrating the existing businesses carried on by the International Power Group and the GDF SUEZ Energy International Division. Following the Combination, the Enlarged International Power Group may encounter similar difficulties in integrating any future acquisitions with the combined businesses of the Enlarged International Power Group

The Combination involves the integration of two businesses that have previously operated independently and the integration process will, in part, depend on the effectiveness of the arrangements relating to the services to be provided by the Wider GDF SUEZ Group under the Electrabel Services Agreement and the Expatriates Services Agreement. The difficulties of combining the businesses include:

- the necessity of co-ordinating and consolidating organisations, systems and facilities; and
- the task of integrating the management and personnel of the International Power Group and the GDF SUEZ Energy International Division, maintaining employee morale and retaining and incentivising key employees.

The process of integrating operations may present financial, managerial and operational risks, including an interruption of, or loss of momentum in, the activities of one or more of the Group's businesses and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the Combination and the integration of the operations of the businesses could have an adverse effect on the business, results of operations, financial condition or prospects of the Enlarged International Power Group after the Combination. Moreover, if management is unable to integrate the operations of the companies successfully, the anticipated benefits of the Combination may not be fully realised.

The integration and operation of any future acquisitions made by the Enlarged International Power Group will expose the Enlarged International Power Group to similar risks and difficulties (see the risk factor entitled "*The Group may have difficulty integrating future acquisitions with its existing operations*" above).

The Enlarged International Power Group may not achieve the synergies that International Power anticipates

The Enlarged International Power Group may fail to achieve the cost savings that International Power hopes will arise from the Combination. In particular, the Enlarged International Power Group's ability to realise anticipated cost synergies and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- its broad geographic areas of operations and the resulting potential complexity of integrating the International Power Group's and the GDF SUEZ Energy International Division's corporate and regional offices and Power Generation Plants;
- the difficulty of implementing its cost savings plans;
- the challenges associated with the combination of the International Power Group's and the GDF SUEZ Energy International Division's businesses and operations, and, in particular, the ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business; and
- unforeseeable events, including major changes in the industries in which the International Power Group and the GDF SUEZ Energy International Division's operate.

If the cost savings that International Power expects are not realised or are delayed, the Enlarged International Power Group's results of operations could be adversely affected.

The Enlarged International Power Group may incur higher than expected integration, transaction and Combination-related costs. The International Power Group expects to incur implementation costs of approximately £130 million in order to deliver the anticipated operating synergies. In addition, the International Power Group will incur legal, accounting and transaction fees and other costs related to the Combination. Some of these costs are payable regardless of whether the Combination is completed and such costs may be higher than anticipated.

Although International Power believes that the elimination of costs, as well as the realisation of other efficiencies related to the integration of the businesses, will offset these implementation and acquisition costs over time, this net benefit may not be achieved within the expected timetable. In addition, some of these costs could be higher than International Power anticipates, which could reduce the net benefits of the Combination and impact the Enlarged International Power Group's financial condition and/or results of operations.

Uncertainties associated with the Combination may cause the International Power Group or the GDF SUEZ Energy International Division to lose key employees

The success of the Enlarged International Power Group after the Combination will depend in part upon the International Power Group's and the GDF SUEZ Energy International Division's ability to retain key International Power Group and GDF SUEZ Energy International Division employees that are considered to be among their most important assets. If the Enlarged International Power Group fails to integrate, motivate and retain these employees after the Combination, the performance of the Enlarged International Power Group will be adversely affected.

Third parties may terminate or alter existing contracts with the International Power Group or the GDF SUEZ Energy International Division

The International Power Group and the GDF SUEZ Energy International Division have contracts with suppliers, distributors, customers, licensors, licensees, lessees, lessors, lenders, insurers and other business partners that contain "change of control" or similar clauses that allow the counterparty to terminate or change the terms of their contract upon the closing of the transactions contemplated by the Merger Deed. The International Power Group and the GDF SUEZ Energy International Division will seek to obtain consent from certain of these other parties, but if these third party consents cannot be obtained, or are obtained on unfavourable terms, then depending on the contract in question the Enlarged International Power Group may lose protection under certain release and other agreements, may lose certain insurance coverage, may suffer a loss of potential future revenue, may lose confidentiality protection in certain cases and may lose rights to certain facilities or certain other rights that are material to the business of the Enlarged International Power Group.

The Combination may result in a loss of International Power Group or GDF SUEZ Energy International Division customers or strategic alliances

As a result of the Combination, some of the International Power Group's or the GDF SUEZ Energy International Division's customers, potential customers or strategic partners may terminate or reduce their business relationship with the Enlarged International Power Group. Some of International Power Group's or the GDF SUEZ Energy International Division's customers may not wish to source a larger percentage of their energy needs from a single company, or may feel that the Enlarged International Power Group is too closely allied with one of their competitors. Potential customers or strategic partners of the International Power Group or the GDF SUEZ Energy International Division may delay entering into, or decide not to enter into, a business relationship with the Enlarged International Power Group because of the Combination. If International Power's or the GDF SUEZ Energy International Division's relationships with their respective customers are adversely affected by the Combination, the Enlarged International Power Group's business and financial performance may suffer.

The GDF SUEZ Energy International Division and the International Power Group have each historically developed their operations in partnership with local authorities or private local operators. These partnerships constitute one of the ways in which the GDF SUEZ Energy International Division and the International Power Group can share the economic and financial risks inherent in some major projects by limiting their respective capital employed and allowing them to adapt more appropriately to the specific context of local markets. Local regulatory law may also require such partnerships. The Combination may result in one or more partnerships being reduced or terminated, notably through the exercise of put or call options on partnership units among the partners, a request by one partner to dissolve the joint venture or the exercise of a pre-emption right. The reduction or termination of any of these partnerships may have a material adverse effect on the business, operating results, financial condition or prospects of the Enlarged International Power Group.

Closing is subject to the satisfaction of a number of conditions

The Merger Deed provides for the implementation of the Combination. Under the Merger Deed, Closing is conditional upon, and will not take place until, Admission. Accordingly, Admission is the final Condition. Closing is also subject to the satisfaction or, where permitted, waiver of a number of other conditions prior to Admission, including:

- certain anti-trust and regulatory approvals and confirmations; and
- the implementation of the necessary pre-closing restructuring to establish the GDF SUEZ Energy International Division.

Closing was also conditional on the affirmative vote in favour of the Resolutions by Shareholders who together represent a simple majority of the Ordinary Shares being voted at the General Meeting. On 16 December 2010, the Resolutions were approved by the requisite number of Shareholders at the General Meeting, thereby satisfying this Condition. If any of the remaining Conditions are not satisfied (or are not waived, where capable of being waived) prior to 30 June 2011, or any Condition becomes incapable of satisfaction, Electrabel (a wholly-owned subsidiary of GDF SUEZ) or International Power may terminate the Merger Deed (and the Combination).

There is no guarantee that the Conditions will be satisfied (or waived, where capable of being waived) prior to 30 June 2011.

In relation to the Conditions requiring certain anti-trust and regulatory approvals and confirmations to be obtained, the relevant authorities may, as a condition to granting their approval or confirmation, impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the Enlarged International Power Group's business. Under the Merger Deed, Electrabel and International Power make certain undertakings in favour of each other in respect of the satisfaction of the Conditions. Unless otherwise agreed by Electrabel and International Power, these undertakings may require either party to accept the requirements, limitations, costs, divestitures or restrictions imposed by relevant authorities if they would not have, or be reasonably likely to have, a material adverse effect on the financial condition, business, profits, operations or prospects of Enlarged International Power. Any such requirements, limitations, costs, divestitures or restrictions could jeopardise or delay the consummation of the Combination or may reduce the anticipated benefits of the Combination or result in an adverse effect on the business and results of operations of the Group.

The Combination may close even if there is an adverse change or development in respect of the International Power Group or the GDF SUEZ Energy International Division

Under the Merger Deed, International Power and Electrabel (a wholly-owned subsidiary of GDF SUEZ) have limited rights to terminate the Combination if, prior to closing of the Combination, an event occurs which has or is reasonably likely to have a particular material adverse effect on the GDF SUEZ Energy International Division or the International Power Group, respectively.

This termination right does not arise in all circumstances where there is an adverse change, event or development in respect of the GDF SUEZ Energy International Division or the International Power Group. The termination right would only be triggered if the relevant event would, or would be reasonably likely to, decrease the consolidated net asset value of the GDF SUEZ Energy International Division or the International Power Group (as the case may be) by more than 20 per cent., or the relevant event is the expropriation by a government or other authority of an asset of the relevant group which would be material to the Enlarged International Power Group as a whole.

Further, any party to the Merger Deed that has a right to terminate the Combination on the basis of a material adverse effect in relation to the other party is not obliged to exercise that right.

Accordingly, the Combination may proceed even if there is an adverse change in relation to the International Power Group or the GDF SUEZ Energy International Division. If an adverse change occurs and the Combination closes, the price of the Ordinary Shares may be adversely affected. Conversely, if either party exercises a right to terminate the Combination for a material adverse effect, the price of the Ordinary Shares may be adversely affected.

Risks related to the Ordinary Shares

The market price of Ordinary Shares is subject to fluctuation. Shareholders may be unable to resell their shares at or above the price at which they acquired them

The stock market in general has recently experienced significant price volatility. The Ordinary Shares may be subject to significant fluctuations due to many factors, including, but not limited to, the pending Combination, fluctuations in operating results, fluctuations in the price of fuel, actual or potential regulatory changes, fluctuations in the price of (or demand for) power, announcements regarding new acquisitions, changes in earnings estimates by market analysts, and general market conditions or market conditions specific to particular industries. International Power's share price is subject to speculation in the press and the analyst community, changes in recommendations by financial analysts, changes in investors' or analysts' valuation measures for its Ordinary Shares, changes in global financial markets and global economies and general market trends unrelated to its performance. The market price of the Existing Ordinary Shares and the New Ordinary Shares could be adversely affected by these factors and fluctuations.

Risks of executing the Combination could cause the market price of the Ordinary Shares to decline

The market price of the Ordinary Shares may decline as a result of the Combination, among other reasons, if:

- the integration of the GDF SUEZ Energy International Division's business is delayed or unsuccessful;
- International Power does not achieve the expected benefits of the Combination as rapidly, or to the extent anticipated by, International Power's financial analysts or investors, or at all; or
- the effect of the Combination on the Enlarged International Power Group's financial results is not consistent with the expectations of financial analysts or investors.

The number of New Ordinary Shares that will be issued to the Wider GDF SUEZ Group pursuant to the Combination will be 3,554,347,956, representing approximately 70 per cent. of the issued and outstanding Ordinary Shares, as increased as a result of the Combination.

Investors with a reference currency other than sterling will be subject to fluctuations in foreign exchange risks

The Existing Ordinary Shares are, and the New Ordinary Shares will be, denominated in sterling and the Ordinary Shares will be quoted and traded in sterling on the London Stock Exchange. Furthermore, if International Power were to pay a cash dividend, it is likely that it would do so in sterling. Shareholders whose reference currency is a currency other than sterling may be adversely affected by any reduction in the value of sterling relative to their reference currency and may also incur transaction costs when converting sterling into another currency. Investors are strongly urged to consult a financial adviser with respect to any currency risk.

International Power is primarily a holding company and is relying on the future performance of the Group's Power Generation Plants to pay dividends to shareholders

International Power is primarily a holding company with no material assets other than the shares in its subsidiaries, joint ventures and associates that own or will own, directly or indirectly, the economic interests in the Group's Power Generation Plants. All of International Power's income and cash flow will be generated through the operating activities of its subsidiaries, joint ventures and associates. Therefore, International Power's ability, amongst other things, to pay dividends and make other distributions to shareholders will be dependent not only on the ability of its subsidiaries, joint ventures and associates to generate cash, but also on the ability of other members of the Group joint ventures and associates to distribute cash to it in the form of dividends, fees, interest, loans or otherwise.

However, the Group's subsidiaries, joint ventures and associates will face various restrictions in their ability to distribute cash to International Power. Most of the subsidiaries, joint ventures and associates will be obliged, pursuant to financing agreements, to satisfy certain restricted payment covenants or other conditions before they may make distributions to International Power. In addition, the payment of dividends or the making of loans, advances or other payments to International Power may be subject to other contractual, legal or regulatory restrictions. Business performance and local accounting and tax rules may limit the amount of retained earnings that may be distributed to International Power as a dividend. Subsidiaries in foreign countries may also be prevented from distributing funds to International Power as a result of foreign governments restricting the repatriation of funds or the conversion of currencies. Any right that International Power has to receive any assets of any of its subsidiaries, joint ventures and associates upon any liquidation, dissolution, winding-up, receivership, reorganisation, bankruptcy, insolvency or similar proceedings (and the consequent ability of the holders of the Ordinary Shares to participate in the distribution of, or to realise proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's, joint venture's or associate's creditors (including trade creditors and holders of debt issued by such subsidiary, joint venture or associate).

International Power could receive less funds than it expects as a result of the current challenges facing the global and local economies, which could impact the performance of the Group's businesses and their ability to distribute cash to International Power.

Each of International Power's subsidiaries, joint ventures and associates are separate and distinct legal entities and will have no obligation to make any funds available to it, whether by dividends, fees, loans or other payments. In the event that International Power does not receive distributions from its subsidiaries, joint ventures and associates, this could affect its financial condition, and it may not be able to pay dividends to shareholders.

Existing shareholders will own a smaller percentage of Enlarged International Power than they currently own of International Power

Following Admission, existing Shareholders will own a smaller percentage of Enlarged International Power than they currently own of International Power. Based on the number of Ordinary Shares in issue as at 17 December 2010 (being the latest practicable date prior to the date of this document), International Power's obligation to issue a total of 3,554,347,956 New Ordinary Shares to the Sellers on Closing and assuming that no options are exercised or Ordinary Shares issued under the International Power Share Schemes and that no Ordinary Shares are issued on conversion of any of the Convertible Bonds prior to Admission, Existing Shareholders will own approximately 30 per cent. of the issued share capital of Enlarged International Power immediately following Admission. GDF SUEZ will own, through its subsidiaries, approximately 70 per cent. of the issued share capital of Enlarged International Power immediately following Admission.

As a result of this shareholding, GDF SUEZ would indirectly have the voting majority necessary to block or adopt certain resolutions at general meetings of Enlarged International Power's shareholders, including resolutions concerning the election of directors and the payment of dividends.

This concentration of ownership may also have the effect of delaying or deterring third parties from purchasing Ordinary Shares or making a takeover offer for Enlarged International Power. Such delay or deterrence could result in shareholders receiving a reduced premium for their Ordinary Shares as part of a sale of Enlarged International Power, and that possibility may prospectively have a negative effect on the market price of the Ordinary Shares.

In addition, if a third party were to make a takeover offer for Enlarged International Power, by virtue of the size of the Sellers' shareholding, GDF SUEZ would be able to determine whether or not such an offer were successful. If GDF SUEZ were to accept such an offer, a third party could acquire a majority shareholding interest in Enlarged International Power. If GDF SUEZ were to reject such an offer, other shareholders in Enlarged International Power would not be able to sell their Ordinary Shares pursuant to the offer. Such possibilities may prospectively have a negative effect on the market price of the Ordinary Shares.

GDF SUEZ will have the ability to exercise substantial influence over the Enlarged International Power Group's business following completion of the Combination

Immediately following completion of the Combination, GDF SUEZ will, through the Sellers, hold approximately 70 per cent. of the Ordinary Shares. The Relationship Agreement entered into between Electrabel (a wholly-owned subsidiary of GDF SUEZ), GDF SUEZ and International Power records the understanding of the parties regarding the terms of the proposed relationship between the Wider GDF SUEZ Group and the Enlarged International Power Group. It also addresses the governance of Enlarged International Power as an independent listed company. However, if the Wider GDF SUEZ Group retains a substantial shareholding in International Power, it will have the ability to exercise substantial influence over the Enlarged International Power Group's business. There may also be a difference between the interests of GDF SUEZ and the interests of other shareholders in International Power with respect to, for example, International Power's dividend policy.

The Relationship Agreement also grants certain rights to GDF SUEZ (in addition to its subsidiaries' voting rights) for as long as it retains majority ownership (direct or indirect) of International Power's shares, including the right to nominate directors for appointment to the Enlarged International Power Board and certain committees of the Enlarged International Power Board.

Under the Relationship Agreement, for 18 months following Admission, members of the Wider GDF SUEZ Group and their actual concert parties are subject to standstill arrangements restricting them from making takeover offers for all (or any) of the outstanding Ordinary Shares, or from de-listing International Power after such a takeover offer has become wholly unconditional or effective. However, during this 18 month standstill period, such restricted persons may make such a takeover offer or de-list International Power following any such offer with the consent of all of the independent non-executive directors of International Power at such time.

The restriction in the Relationship Agreement on the Wider GDF SUEZ Group making a takeover offer for Enlarged International Power only applies for 18 months following Admission

From 18 months after Admission, there will be no restriction under the Relationship Agreement on the Wider GDF SUEZ Group making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all of the outstanding Ordinary Shares or from de-listing Enlarged International Power after such offer has become wholly unconditional or effective (provided that, in the case of a takeover offer, the offer has been accepted by sufficient Shareholders such that the aggregate of the Wider GDF SUEZ Group's interests (together with the interests of its concert parties) in Enlarged International Power following such offer becoming wholly unconditional, will be greater than 85 per cent. of the Ordinary Shares). Accordingly, the Wider GDF SUEZ Group could increase its interest to such a level that International Power no longer complies with the minimum free float requirement under the Listing Rules and would control a sufficient number of votes to pass a special resolution to de-list International Power (in which case the Relationship Agreement would terminate automatically). In this case, Shareholders who have not accepted the takeover offer would hold their Ordinary Shares in an unlisted entity.

The Relationship Agreement will terminate if GDF SUEZ's interest in International Power falls below 50 per cent.

The Relationship Agreement will terminate automatically if the percentage of the voting shares of International Power in which GDF SUEZ has a direct or indirect interest falls below 50 per cent. However, even if GDF SUEZ's interest in International Power falls below this threshold, it may still be able to exercise substantial influence over the Enlarged International Power Group's business to the extent it retains a significant percentage of the Ordinary Shares (and/or the remaining Ordinary Shares are diversely held by International Power shareholders). In such circumstances, the protections afforded by the Relationship Agreement will not apply. For example, GDF SUEZ may by virtue of the level of its retained interest continue to be able to influence certain matters requiring the approval of International Power's shareholders, such as the election of directors and the approval of certain business decisions.

If the Wider GDF SUEZ Group disposes of all or a substantial number of its Ordinary Shares, this could adversely affect the prevailing market price of the Ordinary Shares

The Relationship Agreement requires that if any member of the Wider GDF SUEZ Group proposes to dispose of its interests in any Ordinary Shares, it must consult with International Power so as to minimise any disruption to the share price of Ordinary Shares. However, there is no other contractual restriction on the ability of the Wider GDF SUEZ Group to dispose of its interest(s) in the Ordinary Shares. Any disposal of a substantial number of Ordinary Shares could adversely affect the prevailing market price of the Ordinary Shares.

For more information on the Relationship Agreement, please see paragraph 16.1(b) of Part 12 (*Additional Information*) of this Prospectus.

IMPORTANT INFORMATION

Forward looking statements

This Prospectus (including any information incorporated by reference) includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "would", "could", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts. In particular, the statements regarding the International Power Group's strategy, future financial position and other future events or prospects including statements made in relation to the strategy, future financial position and other future events or prospectus of the Enlarged International Power Group are forward-looking statements.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of the International Power Group and/or the Enlarged International Power Group, that could cause the actual results of the International Power Group and/or the Enlarged International Power Group to differ materially from those indicated in any such statements. Such factors include, but are not limited to: operational risks, conditions in the market, the market position of the International Power Group and/or the Enlarged International Power Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments, economic conditions, increased competition, fluctuations in currency exchange rates, failure to attract and retain key personnel, adverse regulatory developments or changes in government policy in a jurisdiction in which the International Power Group operates and/or the Enlarged International Power Group will operate, risk of environmental liabilities, misconduct of employees, pension commitments, changes in laws, third party litigation risk, failure to obtain necessary regulatory consent, legal proceedings relating to the proposed Transaction, and failure to realise the expected benefits of the Transaction. These risks and uncertainties include, but are not limited to, those described in the part of this Prospectus entitled "*Risk Factors*" which are known to International Power at the date of this Prospectus, but may include other factors which arise in the future and are not known, or not considered to be material, at such date. The part of this Prospectus entitled "*Risk Factors*" should be read in conjunction with the other cautionary statements included in this Prospectus.

Shareholders should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the International Power Group. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and the actual results of operations and financial condition of the International Power Group and/or the Enlarged International Power Group, and the development of the industry in which the International Power Group and/or the Enlarged International Power Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus.

These forward-looking statements reflect International Power's judgement at the date of this Prospectus and are not intended to give any assurances as to future results. To the extent required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules and other applicable regulations, International Power will update or revise the information in this Prospectus. Otherwise, International Power undertakes no obligation to update or revise any forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this Prospectus. International Power will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the International Power Group, or persons acting on its behalf, may issue.

Industry and market data

This Prospectus contains industry and market data obtained from independent industry and official publications, market research, internal surveys and other publicly available information. In particular, the information on the global power industry is derived from statistical data published by the International Energy Agency (the "**IEA**"). The information on the North American markets in which the International Power Group operates is derived from data published by ERCOT, the Federal

Energy Regulatory Commission, ISO-New England and the IEA, as well as internal estimates. The information on the International Power Group's main European, Asian, Australian and Middle Eastern markets is derived from country reports prepared by IHS Global Insight, as well as internal estimates.

The information sourced from IHS Global Insight, ERCOT, the Federal Energy Regulatory Commission, ISO-New England and the IEA has been accurately reproduced and, so far as International Power is aware and is able to ascertain from information published by those parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Data and other Information relating to the International Power Group's Power Generation Portfolio

This Prospectus contains information on the International Power Group's Power Generation Portfolio, including information on the number of Power Generation Plants (through its subsidiaries, joint ventures and associates), the gross and net power generation capacity of its Power Generation Portfolio, the fuel types that are used, the location of Power Generation Plants and other data. Unless otherwise indicated, the statistical information relating to the International Power Group's Power Generation Portfolio is accurate as at 9 August 2010. Unless indicated otherwise, capacity data (including amounts and percentages relating thereto) is based on net capacity as at 9 August 2010. There have been no developments since 9 August 2010 that are likely to affect in any material respect the statements made in this Prospectus as at 9 August 2010.

Presentation of financial information

This Prospectus includes the unaudited condensed interim financial information of International Power plc, its subsidiaries and the proportionate share of its joint ventures for the six month period ended and as at 30 June 2010 (the "**Restated 2010 Condensed Interim Financial Information**") and consolidated financial information of International Power plc, its subsidiaries and the proportionate share of its joint ventures for the three financial years ended 31 December 2009 (together with the Restated 2010 Condensed Interim Financial Information, the "**Restated Consolidated Financial Information**"), which has been restated to be presented in accordance with the accounting policies to be adopted by the Enlarged International Power Group in its next published financial statements which have a reporting period which ends after the date of Closing. Any consolidated financial statements produced by International Power relating to the periods prior to Closing will be produced using the accounting policies and formats currently applied by International Power in its consolidated financial statements. An accountants report from KPMG Audit Plc in respect of the Restated Consolidated Financial Information for the three financial years ended 31 December 2009 is also set out in Section A of Part 7 (*International Power Financial Information*).

Except as otherwise noted below, the Restated Consolidated Financial Information has been prepared in accordance with IFRS, including interpretations of the International Financial Reporting Interpretations Committee. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the International Power Board to exercise its judgement in the process of applying its accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Restated Consolidated Financial Information, are disclosed in the Restated Consolidated Financial Information for the three financial years ended 31 December 2009.

The Restated Consolidated Financial Information is presented in pounds sterling rounded to the nearest million. The Restated Consolidated Financial Information has been prepared under the historical cost convention modified for certain items carried at fair value, as stated in the accounting policies set out in the Restated Consolidated Financial Information.

EBITDA and Current Operating Income

In order to allow a full understanding of the financial information presented within the Restated Consolidated Financial Information, and specifically the underlying business performance, the International Power Board has applied two key performance indicators in the measurement of profitability, namely EBITDA and current operating income. Both measures exclude those items that are inherently difficult to predict due to their irregular or non-recurring nature. Such items relate to asset impairments, other disposal gains and losses and non-recurring items presented in the line "changes in the scope of consolidation", restructuring costs and mark-to-market on commodity contracts other than trading instruments, which are defined as follows:

- impairment includes impairment losses on non-current assets;

- other disposal gains and losses and non-recurring items include capital gains and losses on disposals of non-current assets and available-for-sale securities which do not result in a change in consolidation method;
- changes in the scope of consolidation includes costs related to acquisitions of controlling interests, impacts of the re-measurement at fair value at acquisition date of previously held equity interests in the acquiree in the event of a business combination achieved in stages, subsequent changes in the fair value of contingent consideration and gains and losses from disposals, of investments which result in a change in consolidation method as well as any impact of the re-measurement of retained interests;
- restructuring costs concern costs corresponding to a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;
- mark-to-market on commodity contracts other than trading instruments corresponds to changes in the fair value (mark-to-market) of financial instruments relating to commodities, gas and electricity, which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions in the energy sector. Since changes in the fair value of these instruments – which must be recognised through income in IAS 39 – can be material and difficult to predict, they are presented on a separate line of the consolidated income statement.

The International Power Board considers that items of income or expense, which are material by virtue of their nature and amount, should be disclosed separately if the consolidated financial statements are to fairly present the financial position and financial performance of the business.

Segment Disclosure

The International Power Group, through its interests in subsidiaries and joint ventures, is a global energy business that focuses on power generation. The international operations are managed as five separate geographic regions, namely North America, Europe, the Middle East, Australia and Asia, and this reflects the different characteristics within each region. As the business is structured and managed as five regions, the segment results, assets and liabilities are presented in this way. The accounting policies applied in the presentation of results of the five reportable segments are the same as the accounting policies described in note 1 to the Restated Consolidated Financial Information. In addition, Profit From Operations, which was one of the key performance indicators used by management during the three years ended 31 December 2009 and for the six months ended 30 June 2009 and 2010, has also been presented.

Non-IFRS financial measures

In this Prospectus, International Power refers to certain non-IFRS measures, including EBITDA and Current Operating Income. EBITDA and Current Operating Income are not standard IFRS measures and should not be construed as an alternative to any IFRS measure such as revenue, gross profit, other income or net profit. EBITDA and Current Operating Income as presented in this Prospectus (including the information incorporated by reference herein) may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

EBITDA

EBITDA is an abbreviation for earnings before interest, taxes, depreciation and amortisation. It is a measure of income which excludes significant non-cash items, such as depreciation, amortisation, certain movements in provisions and charges for share-based payments. It also excludes those items that are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For example, such items relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts, other than trading instruments, presented in Income from Operating Activities. EBITDA also excludes the International Power Group's share of net income of associates.

Current Operating Income

Like EBITDA, Current Operating Income excludes those items that are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For example, such items relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts, other than trading instruments, presented in Income from Operating Activities. The measure includes depreciation, amortisation and provisions and charges related to share-based payments, but it excludes the share of net income of associates.

Rounding

Some numbers in this Prospectus have been rounded and, as a result, the numbers shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the numbers that precede them.

Currency presentation

All references in this Prospectus to "**£**", "**pounds**", "**pounds sterling**", "**sterling**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom. All references to "**US$**" and "**US dollars**" are to the lawful currency of the United States. All references to "**€**" or "**Euro**" are to the single currency of the member states of the European Communities that adopt or have adopted the Euro as their lawful currency under the legislation of the EU or European Monetary Union. All references to "**THB**" or "**Thai baht**" are to the lawful currency of the Kingdom of Thailand. All references to "**Australian dollars**" or "**A$**" are to the lawful currency of Australia. All references to "**C$**" or "**Canadian dollars**" are to the lawful currency of Canada. All references to "**SGD**" or "**Singapore dollars**" are to the lawful currency of the Republic of Singapore. All references to "**Brazilian Real**", "**Brazilian real**" and "**R$**" are to the lawful currency of Brazil.

Defined terms

Certain terms used in this Prospectus, including capitalised terms and certain technical and other items, are defined and explained in Part 14 (*Definitions and Glossary*).

Overseas shareholders

This Prospectus and any accompanying documents are not being made available to any Shareholders with registered addresses in a Restricted Jurisdiction. The Ordinary Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the Ordinary Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen in any Restricted Jurisdiction.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the Combination. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

This Prospectus has been prepared for the purposes of complying with English law and the rules of the UK Listing Authority and the information disclosed may not be the same as that which would have been disclosed if this Prospectus had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF, OR SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR BUY, ANY NEW ORDINARY SHARES OR EXISTING ORDINARY SHARES TO ANY PERSON IN ANY JURISDICTION AND IS NOT FOR DISTRIBUTION IN OR INTO ANY RESTRICTED JURISDICTION EXCEPT AS DETERMINED BY INTERNATIONAL POWER PLC IN ITS SOLE DISCRETION AND PURSUANT TO APPLICABLE LAWS.

Overseas Shareholders should consult their own legal, financial and tax advisers with respect to the legal, exchange control and tax consequences of the Combination in their particular circumstances.

No incorporation by reference of website information

Neither the content of International Power's website nor GDF SUEZ Energy International's website, nor the content of any website accessible from hyperlinks on International Power's website or GDF SUEZ Energy International's website, is incorporated into, or forms part of, this Prospectus.

NOTES

(1) Nothing in this Prospectus is intended to be a profit estimate for any period or a forecast of future profits and statements relating to earnings should not be interpreted to mean that earnings per Ordinary Share for the current or future financial periods will necessarily match or exceed the historical published earnings per Ordinary Share.

(2) Unless the context otherwise requires, figures included in this Prospectus in relation to the capacity of power generation assets owned by GDF SUEZ Energy International represent the capacity of such assets as at 30 June 2010.

(3) Unless the context otherwise requires, figures included in this Prospectus in relation to the capacity of power generation assets owned by the International Power Group and its joint ventures represent the capacity of such assets as at 9 August 2010.

(4) Unless the context otherwise requires, figures included in this Prospectus in relation to the capacity of power generation assets owned by the Enlarged International Power Group represent the aggregate of (i) the capacity of power generation assets owned by GDF SUEZ Energy International as at 30 June 2010; plus (ii) the capacity of power generation assets owned by the International Power Group and its joint ventures as at 9 August 2010; minus (iii) in the case of references to gross capacity including assets located in the Middle East, 1GW representing the approximate gross capacity as at 9 August 2010 of the Al Hidd power generation asset in Bahrain in which both the International Power Group and GDF SUEZ Energy International currently hold an equity interest and which is reflected by each of them in their respective capacity figures.

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Sir Neville Simms, *Chairman*
Philip Cox, *Chief Executive Officer*
Mark Williamson, *Chief Financial Officer*
Anthony Concannon, *Executive Director, Australia*
Bruce Levy, *Executive Director, North America*
Steve Riley, *Executive Director, Europe*
Ranald Spiers, *Executive Director, Middle East and Asia*
Tony Isaac, *senior independent non-executive director*
Alan Murray, *independent non-executive director*
John Roberts, *independent non-executive director*
Struan Robertson, *independent non-executive director*
David Weston, *independent non-executive director*

Directors of the Enlarged International Power Group

Dirk Beeuwsaert, *Non-Executive Chairman, GDF SUEZ Appointed Director*
Sir Neville Simms, *Deputy Chairman and Senior Independent Non-Executive Director*
Philip Cox, *Chief Executive Officer*
Mark Williamson, *Chief Financial Officer*
Guy Richelle, *Chief Operating Officer*
Bernard Attali, *Independent Non-Executive Director*
Tony Isaac, *Independent Non-Executive Director*
David Weston, *Independent Non-Executive Director*
Sir Rob Young, *Independent Non-Executive Director*
Michael Zaoui, *Independent Non-Executive Director*
Gérard Lamarche, *Non-Executive Director, GDF SUEZ Appointed Director*
Jean-François Cirelli, *Non-Executive Director, GDF SUEZ Appointed Director*
Gérard Mestrallet, *Non-Executive Director, GDF SUEZ Appointed Director*

Company Secretary
Stephen Ramsay

Registered office
85 Queen Victoria Street
London EC4V 4DP

Joint Sponsors and Joint Financial Advisers

Nomura International plc
Nomura House
1 St Martin's-le-Grand
London EC1A 4NP

J.P. Morgan Cazenove
10 Aldermanbury
London EC2V 7RF

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

Legal advisers to International Power
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Auditors and Reporting Accountant to International Power
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Financial advisers to GDF SUEZ and Electrabel

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB
UK

Rothschild
23 bis avenue de Messine
75008
Paris
France

Legal advisers to GDF SUEZ and Electrabel

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Bredin Prat
130, rue du Faubourg Saint-Honoré
75008 Paris

GDF SUEZ Energy International Auditors
Deloitte & Associés
185 Avenue Charles de Gaulle
Neuilly sur Seine
92524 Cedex
France

PART 1: INFORMATION ON THE COMBINATION

Introduction

On 10 August 2010, International Power announced that it had signed a memorandum of understanding with GDF SUEZ in relation to a proposed combination of International Power and GDF SUEZ Energy International (the "**Combination**"). GDF SUEZ Energy International comprises GDF SUEZ's Energy International Business Areas (outside Europe) and certain assets in the UK and Turkey. Following the completion by GDF SUEZ and members of the GDF SUEZ Group of consultation processes with certain of their employee representative bodies, on 13 October 2010 International Power announced that it had signed a definitive Merger Deed with GDF SUEZ in respect of the Combination.

The International Power Board believes that the combination of International Power and GDF SUEZ Energy International will offer significant benefits reflecting the compelling industrial logic of the Transaction and the excellent geographic and operational fit between the businesses. Enlarged International Power will be the global leader in independent power generation, with significantly enhanced growth prospects from a pipeline of committed projects and attractive further opportunities in high growth markets. Enlarged International Power will also have a robust capital structure which, together with the committed financial support of GDF SUEZ, will facilitate significantly improved access to capital, at an attractive cost, to underpin these growth ambitions. Furthermore, the Combination is expected to deliver value from significant synergies, the majority of which are expected to be achieved in the second year following Closing.

Existing shareholders in International Power will benefit from this value creation through their continued shareholding in Enlarged International Power and will also receive a cash payment of 92 pence per Ordinary Share following Closing by way of the Special Dividend.

The Combination will take the form of a contribution of GDF SUEZ Energy International by subsidiaries of GDF SUEZ to International Power in exchange for the issue of 3,554,347,956 Ordinary Shares in International Power in order to create an Enlarged International Power. The New Ordinary Shares to be held by the GDF SUEZ Group at Closing will represent approximately 70 per cent. of the issued ordinary share capital of Enlarged International Power immediately following Admission. Existing Shareholders in International Power will own approximately 30 per cent. of the issued share capital of Enlarged International Power immediately following Admission.

The International Power Board unanimously approved the Merger Deed and unanimously recommended that International Power Shareholders vote in favour of the Resolutions proposed at the General Meeting, as set out in the Notice of General Meeting contained in the Circular which was despatched to International Power Shareholders on 19 November 2010.

GDF SUEZ Energy International Reorganisation

The GDF SUEZ Energy International business comprises a part of the business of the GDF SUEZ Group.

In order to be able to effect the sale of GDF SUEZ Energy International to International Power by means of the acquisition of the entire issued share capital of SUEZ-TRACTEBEL, GDF SUEZ Energy ATSA, GSIP and GDF SUEZ Energy International Invest S.à. r.l. (together the "**GDF SUEZ Energy International Holding Companies**"), GDF SUEZ is in the process of reorganising certain parts of the GDF SUEZ Group corporate structure in order to combine the assets and businesses which comprise GDF SUEZ Energy International and which are to be acquired by International Power. These entities will be combined beneath the GDF SUEZ Energy International Holding Companies and separated from the assets, businesses and entities which will form part of the Wider GDF SUEZ Group following Closing. The GDF SUEZ Energy International Reorganisation will take place prior to Closing.

The GDF SUEZ Energy International Reorganisation is to be effected by the GDF SUEZ Group in accordance with the terms of the Merger Deed. The Merger Deed contains provisions to ensure that any assets which International Power has not agreed to acquire, but which remain in the entities directly or indirectly acquired by International Power at Closing, can be transferred back to the Wider GDF SUEZ Group. Conversely, the Merger Deed also contains provisions to ensure that any assets which International Power has agreed to acquire, but which remain outside the entities directly or indirectly acquired by International Power at Closing, can be transferred to Enlarged International Power after Closing.

Enlarged International Power

The Combination of International Power and GDF SUEZ Energy International will create the global leader in independent power generation.

Overview of Power Generation Plants

Details of the operational capacity of the Enlarged International Power Group is set out in the table below:

Region	*International Power Group*		*GDF SUEZ Energy International*		*Enlarged International Power Group*	
	Gross (GW)	*Net (GW)*	*Gross (GW)*	*Net (GW)*	*Gross (GW)*	*Net (GW)*
Latin America	—	—	10.6	6.1	10.6	6.1
North America	7.1	6.5	7.5	6.7	14.6	13.2
UK-Europe	11.1	6.9	2.1	2.1	13.2	9.0
Middle East	7.5	2.5	8.2	3.1	14.7	5.6
Asia	5.0	1.8	4.4	2.0	9.4	3.8
Australia	3.7	3.2	—	—	3.7	3.2
Total	**34.4**	**20.9**	**32.8**	**20.0**	**66.2**	**40.9**

Details of the additional capacity of the Enlarged International Power Group expected to be delivered from committed projects is set out in the table below:

Region	*International Power Group*		*GDF SUEZ Energy International*		*Enlarged International Power Group*	
	Gross (GW)	*Net (GW)*	*Gross (GW)*	*Net (GW)*	*Gross (GW)*	*Net (GW)*
Latin America	—	—	5.4	2.5	5.4	2.5
North America	—	—	0.6	0.2	0.6	0.2
UK-Europe	1.3	0.6	—	—	1.3	0.6
Middle East	2.0	0.4	9.4	2.6	11.4	3.0
Asia	1.2	0.4	1.9	0.9	3.1	1.3
Australia	0.03	0.03	—	—	0.03	0.03
Total	**4.5**	**1.4**	**17.3**	**6.2**	**21.8**	**7.6**

Non-Generation Assets

In addition, the Enlarged International Power Group will have significant interests in closely-linked businesses including LNG regasification terminals, retail businesses and gas pipeline and distribution companies.

Rationale for the Combination

Excellent Strategic Fit

The Combination of GDF SUEZ Energy International and International Power will create an enlarged International Power and substantially enhance the strategic position of both International Power and GDF SUEZ through the creation of the global leader in independent power generation. Enlarged International Power will have 66.2GW of gross capacity (40.9GW net) in operation and committed projects expected to deliver 21.8GW of additional gross capacity (7.6GW net) by 2013. Enlarged International Power will have strong positions in major regional markets (Latin America, North America, the Middle East, the UK, Asia and Australia) and accordingly will benefit from enhanced exposure to fast growing markets. Enlarged International Power will offer an attractive growth profile given its significant pipeline of committed projects, wider geographic footprint and balanced portfolio of assets, (in terms of fuel mix and contractual mix). This will be further enhanced by the expected operating and financing synergies arising from the Combination, and the combined business' robust capital structure and improved access to financing.

Further detail on the synergy benefits that are expected to arise from the Combination are contained in "—*Synergy Benefits from the Combination*" below.

Value Enhancing Transaction with Strong Growth Prospects for the Combined Business

In addition to International Power's existing development pipeline, the Combination will strongly enhance International Power's growth profile through the contribution of GDF SUEZ Energy International's committed projects. A £6.9 billion (€8.2 billion[2]) capital expenditure programme is ongoing in relation to the Enlarged International Power Group's 21.8GW gross (7.6GW net) of committed projects, of which £3.9 billion (€4.6 billion[2]) had been spent but was not generating EBITDA as at 30 June 2010. A significant proportion of the expected output from these committed projects has been forward sold for periods in excess of 3 years, therefore earnings from the new assets will benefit from high visibility. Once operational, the committed projects being developed by subsidiaries and joint ventures are expected to provide an estimated £872 million (€1,042 million[2]) of additional annual EBITDA contribution by 2013. Earnings are expected to be further enhanced through the contribution from 13GW gross (3.5GW net) of the committed capacity which is being developed by associates.

Enlarged International Power will also gain access to GDF SUEZ Energy International's development pipeline of future projects. Enlarged International Power's increased financial strength will allow the combined business to support an enhanced development strategy.

Strengthened Financial Position

The Combination will significantly strengthen Enlarged International Power's capital structure and credit ratios. As shown in the unaudited *pro forma* statement of net assets of the Enlarged International Power Group referred to in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus, as at 30 June 2010 Enlarged International Power had *pro forma* net debt, excluding the impact of derivative instruments and amortised cost, of £10.8 billion[3] and a ratio of net debt, excluding the impact of derivative instruments and amortised cost, at 30 June 2010 to EBITDA for the year ended 31 December 2009 of 3.4x. It is anticipated that the credit profile of the combined business will enable Enlarged International Power to obtain an investment grade credit rating. As a result, Enlarged International Power will benefit from significantly improved access to capital, at an attractive cost, which will underpin the delivery of the enhanced growth ambitions referred to above.

Synergy Benefits from the Combination

The Combination is expected to generate significant benefits through Enlarged International Power's ability to deliver substantial operating and financing synergies. Total annualised operating and financing pre-tax synergies of £165 million (€197 million[2]) per annum are expected to be generated by the sixth year following Closing; with 75 per cent. of these synergies delivered in the second year following Closing.

Operating Synergies

Annualised operating pre-tax synergies of £104 million (€125 million[2]) per annum are expected to arise from savings in central and regional costs, optimisation of long-term overhaul and maintenance contracts, procurement and energy trading benefits and savings in insurance costs.

The size of the anticipated synergies reflects the complementary nature of the businesses and the benefits that enhanced scale can provide. As part of realising these operating synergies, the Wider GDF SUEZ Group will provide certain ''head office'' services to the Enlarged International Power Group. These services will be provided pursuant to the Electrabel Services Agreement and the Expatriates Services Agreement. Further details of the terms of these agreements are set out in paragraphs 16.1(c) and (e) of Part 12 (*Additional Information*) of this Prospectus.

In order to deliver these operating synergies, it is expected that implementation costs of approximately £130 million (€155 million[2]) will be incurred by the Enlarged International Power Group, largely equally across the first and second year following Closing.

Financing Synergies

As a result of its significantly strengthened financial position, Enlarged International Power is expected to benefit from substantial annualised pre-tax synergies of £61 million (€72 million[2]) per annum through access to lower cost financing and GDF SUEZ's strong balance sheet.

2 1-month average £/€ exchange rate as at 6 August 2010 of 1:1.195 used in the calculation of these figures.

3 After the cash payment of £1.4 billion to Shareholders (other than members of the Wider GDF SUEZ Group) by way of the Special Dividend.

As part of realising these financing benefits, the Wider GDF SUEZ Group will provide the following committed financings at investment grade rates to the Enlarged International Power Group pursuant to the Financing Framework Agreement:

- Long-term funding for the aggregate financing needs of the Enlarged International Power Group as set out in its annual budget for each financial year;
- Approximately £955 million of long-term funding for the early repayment of certain of the International Power Group's debt facilities;
- Approximately £1,197 million of long-term funding for the repayment of certain of the International Power Group's debt facilities at maturity;
- Up to £550 million of parent company guarantees and letters of credit for project support and trading credit requirements of the Enlarged International Power Group;
- A £250 million cash pooling arrangement available to fund the Enlarged International Power Group's short-term working capital requirements; and
- A £150 million cash pooling arrangement available to support the Enlarged International Power Group's liquidity requirements for margin calls related to trading activities.

Further details of the terms of the Financing Framework Agreement are set out in paragraph 16.1(f) of Part 12 (*Additional Information*) of this Prospectus.

Board and Management Team

On Admission of the New Ordinary Shares, the International Power Board will be changed by the resignation of Anthony Concannon, Bruce Levy, Steve Riley, Ranald Spiers, Alan Murray, John Roberts and Struan Robertson and the appointment of Dirk Beeuwsaert as Non-Executive Chairman; Bernard Attali, Sir Rob Young and Michael Zaoui as Independent Non-Executive Directors; Guy Richelle as chief operating officer; and Gérard Lamarche, Jean-François Cirelli and Gérard Mestrallet as non-executive directors. Mr. Cox, International Power's current chief executive officer, and Mr. Williamson, International Power's current chief financial officer, will continue holding these positions in the Enlarged International Power Group.

The International Power Board on Admission will therefore comprise the following:

Dirk Beeuwsaert	*Non-Executive Chairman (GDF SUEZ Appointed Director)*
Sir Neville Simms	*Deputy Chairman and Senior Independent Non-Executive Director*
Philip Cox	*Executive Director (CEO)*
Mark Williamson	*Executive Director (CFO)*
Guy Richelle	*Executive Director (COO)*
Bernard Attali	*Independent Non-Executive Director*
Sir Rob Young	*Independent Non-Executive Director*
Michael Zaoui	*Independent Non-Executive Director*
Tony Isaac	*Independent Non-Executive Director*
David Weston	*Independent Non-Executive Director*
Gérard Mestrallet	*GDF SUEZ Appointed Director*
Jean-François Cirelli	*GDF SUEZ Appointed Director*
Gérard Lamarche	*GDF SUEZ Appointed Director*

Merger Deed

On 13 October 2010, International Power entered into a Merger Deed with Electrabel which sets out their respective obligations governing the Combination.

Under the terms of the Merger Deed, International Power has agreed to acquire the GDF SUEZ Energy International Holding Companies (which, immediately prior to Closing, will hold interests in the legal entities which carry on the business of GDF SUEZ Energy International). This acquisition will be effected by International Power purchasing all of the issued shares in each of the GDF SUEZ Energy International Holding Companies from the Sellers at Closing. In consideration, International Power has agreed to issue a total 3,554,347,956 New Ordinary Shares to the Sellers on Closing (representing approximately 70 per cent. of the issued share capital of Enlarged International Power immediately following Admission). Electrabel will procure the transfer of the GDF SUEZ Energy

International Division to International Power with €4.0 billion (£3.3 billion[4]) of net debt, excluding the impact of derivative instruments and amortised cost, as at 30 June 2010.

Closing is conditional upon, and will not take place until, Admission. Accordingly, Admission is the final Condition. Closing is also subject to the satisfaction or, where permitted, waiver of a number of other Conditions prior to Admission, including:

- certain anti-trust and regulatory approvals and confirmations; and
- the implementation of the necessary pre-Closing restructuring to combine the assets and businesses which comprise of GDF SUEZ Energy International beneath the GDF SUEZ Energy International Holding Companies in accordance with the terms of the Merger Deed.

Closing was also conditional on the affirmative vote in favour of the Resolutions by Shareholders who together represent a simple majority of the Ordinary Shares being voted at the General Meeting. On 16 December 2010, the Resolutions were approved by the requisite number of Shareholders at the General Meeting, thereby satisfying this Condition. If each of the other Conditions are satisfied (or, where capable of being waived, waived) prior to 30 June 2011, International Power will be contractually obliged to proceed to Closing of the Transaction unless, prior to Closing, an event occurs which has or is reasonably likely to have a particular material adverse effect on GDF SUEZ Energy International. If such an event were to occur, International Power would have the right to elect whether or not to proceed to Closing. Equally, if an event occurs which has or is reasonably likely to have a particular material adverse effect on the International Power Group, GDF SUEZ would have the right to elect whether or not to proceed to Closing.

Closing is currently expected to occur in early 2011.

The Merger Deed also provides for the implementation of the necessary steps to facilitate the payment of the Special Dividend to Shareholders (other than members of the Wider GDF SUEZ Group) following Closing.

Under the Merger Deed, International Power has agreed to pay a break fee of €60,000,000 to Electrabel, a wholly-owned subsidiary of GDF SUEZ; in circumstances where (i) a competing offer is announced and that offer or another third party offer becomes unconditional or completes; (ii) except in limited circumstances, the International Power Directors withdraw, adversely modify, suspend or qualify their recommendation of the Transaction or defer the General Meeting; or (iii) International Power materially breaches certain provisions of the Merger Deed.

A detailed summary of the key terms of the Merger Deed is set out in paragraph 16.1(a) of Part 12 (*Additional Information*) of this Prospectus.

Relationship Agreement

Immediately following Admission, the GDF SUEZ Group will hold approximately 70 per cent. of Enlarged International Power's issued share capital. A relationship agreement has been entered into between Electrabel, GDF SUEZ and International Power (the "**Relationship Agreement**"). The Relationship Agreement records the understanding of the parties thereto regarding the terms of the proposed relationship between the Wider GDF SUEZ Group and the Enlarged International Power Group. It also addresses the governance of Enlarged International Power as an independent listed company.

Its provisions prescribe the structure of the Enlarged International Power Board, including granting certain appointment rights to the GDF SUEZ Group, and categorise certain actions as reserved matters which are only permitted to be undertaken with the approval of the Enlarged International Power Board, including at least two GDF SUEZ Appointed Directors. A summary of the composition of the proposed Enlarged International Power Board is contained in "*—Board and Management Team*" above.

In addition, the Relationship Agreement imposes certain restrictions on the Wider GDF SUEZ Group's ability to deal in Ordinary Shares. In particular, for a period of 18 months following Admission, members of the Wider GDF SUEZ Group and their actual concert parties are generally restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all (or any) of the outstanding Ordinary Shares, or from de-listing Enlarged

4 After taking account of the Cash Injection but prior to the cash payment of £1.4 billion by way of the Special Dividend. As shown in the unaudited *pro forma* statement of net assets of the Enlarged International Power Group referred to in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus.

International Power after such a takeover offer has become wholly unconditional or, in the case of a scheme, after it has become effective. Following the expiry of this period (or earlier with the consent of all of the Independent Non-Executive Directors), members of the Wider GDF SUEZ Group and their actual concert parties would not be restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all of the outstanding Ordinary Shares or from de-listing Enlarged International Power following any such offer.

GDF SUEZ and International Power have agreed under the Relationship Agreement that:

- subject to certain exceptions, the Enlarged International Power Group will have exclusive responsibility over and activity in power generation activities in all markets except Continental Europe, thereby giving the Enlarged International Power Group access to the fast growing markets of Latin America, Middle East and Asia Pacific, as well as Australia, the USA and UK for power generation, and exclusive responsibility over and activity in downstream LNG activities in Chile and the USA;
- subject to the activity of International Power's existing assets in Continental Europe, the Wider GDF SUEZ Group will have exclusive responsibility over and activity in all businesses in Continental Europe, including Russia (but excluding Turkey); and
- the Wider GDF SUEZ Group will have exclusive responsibility over and activity in nuclear power generation and certain defined energy services in all markets.

A detailed summary of the key terms of the Relationship Agreement is set out in paragraph 16.1(b) of Part 12 (*Additional Information*) of this Prospectus.

Financing Framework Agreement

Under the Financing Framework Agreement, GDF SUEZ agrees to provide the committed long-term loan, revolving credit and collateral facilities to the Enlarged International Power Group described in the paragraph entitled "*Synergy Benefits from the Combination*" above.

A detailed summary of the key terms of the Financing Framework Agreement is set out in paragraph 16.1(f) of Part 12 (*Additional Information*) of this Prospectus.

Electrabel Services Agreement, International Power Services Agreement and Expatriates Services Agreement

The Electrabel Services Agreement and the Expatriates Services Agreement provide for the provision of certain arm's length services by the Wider GDF SUEZ Group to the Enlarged International Power Group following Closing. The International Power Services Agreement provides for the provision of a more limited list of arm's length services by the Enlarged International Power Group to the Wider GDF SUEZ Group following Closing.

A detailed summary of the key terms of the Electrabel Services Agreement, the International Power Services Agreement and the Expatriates Services Agreement is set out in paragraphs 16.1(c), 16.1(d) and 16.1(e) respectively of Part 12 (*Additional Information*) of this Prospectus.

Financial Effects of the Combination

The financial effects of the Combination are illustrated by the unaudited *pro forma* combined statement of net assets for the Enlarged International Power Group assuming that Closing had occurred on 30 June 2010 referred to in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus. This reflects the effect of restating International Power's consolidated statement of financial position on the basis of GDF SUEZ accounting policies, which will be adopted by Enlarged International Power following Closing. After taking account of the proposed Special Dividend, the Cash Injection, the change of accounting treatment of Hidd Power Company BSC(c) and the estimated excess purchase consideration over book value of net assets acquired, this shows that Enlarged International Power would have had net assets of £17.0 billion and net debt, excluding the impact of derivative instruments and amortised cost, of £10.8 billion as at 30 June 2010.

In addition, the information referred to and incorporated by reference in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) of this Prospectus includes the unaudited *pro forma* combined income statement of the Enlarged International Power Group for the year ended 31 December 2009 assuming that Closing had occurred on 1 January 2009. This shows, amongst other things, the effects of restating International Power's consolidated income statement on the basis of GDF SUEZ accounting policies, the addition of GDF

SUEZ Energy International's profit for the year, the change of accounting treatment of Hidd Power Company BSC(c) and the finance costs on GDF SUEZ Energy International's net debt (having been adjusted as if the Cash Injection took place and the Special Dividend was declared and paid on 1 January 2009). The *pro forma* earnings per share figure in the combined income statement also reflects the increased number of Ordinary Shares in issue following the issue of the New Ordinary Shares in accordance with the terms of the Merger Deed as if the issuance had occurred on 1 January 2009. The unaudited *pro forma* combined income statement does not reflect the fair value adjustments that are expected to be made post Closing and which may have a material impact on the earnings of Enlarged International Power going forward.

Current Trading, Trends and Prospects

International Power

Financial and operating update

International Power's portfolio of long-term contracted assets continues to perform well, and expected 2010 spreads and load factors in its merchant markets remain in line with the guidance given in August. As expected, performance at First Hydro Company (a subsidiary of International Power) in the UK during 2010 will be lower than in the financial year ended 31 December 2009.

Portfolio update

International Power has agreed the sale of its 33.3 per cent. equity interest in the 687km SEA Gas pipeline to project partners, Retail Employees Superannuation Trust and Australian Pipeline Trust, for a sale price of A$92.5 million (£57.6 million)[5], plus a working capital adjustment. The sale is expected to be completed in the fourth quarter of 2010.

In October, International Power Canada completed a C$117 million project financing for the 49MW Pointe-Aux-Roches wind project in south-western Ontario. The project, which will be funded by a mix of debt and equity in an 80:20 ratio, is expected to reach commercial operation during 2011.

In the UAE, the construction programme for the Fujairah F2 project (2,000MW, 130MIGD) is making good progress and 1,176MW, 97MIGD is now in operation as at the date of this Prospectus.

Outlook

The outlook for the full year remains unchanged. International Power's merchant assets remain well positioned to capture value from any recovery or volatility in market conditions and the long-term contracted assets continue to operate in line with expectations.

GDF SUEZ Energy International

Financial and operating update

GDF SUEZ Energy International's portfolio has continued to benefit from the positive trends experienced in the first half of the year and has traded in line with management's expectations delivering a strong operational and financial performance, primarily reflecting (i) a sustained energy demand in Latin America, a demand recovery in Asia and the contribution of new commissioned assets in Chile and Brazil; (ii) the positive contribution of recent industrial developments (mainly the combination of Chilean electricity and gas transmission assets owned by GDF SUEZ Energy International and the Codelco mining group and GDF SUEZ Energy International's increased ownership in the Astoria gas power plant in New York); and (iii) positive exchange rate fluctuations.

Portfolio update

GDF SUEZ Energy International signed a joint development agreement with Eletrobras relating to energy projects in Central and South America and in Africa. GDF SUEZ Energy International completed the US$1.7 billion financing for the Barka 3 and Sohar 2 power plants in Oman with a total production capacity of approximately 1,500MW. GDF SUEZ Energy International has a 46 per cent. equity interest in both power plants.

GDF SUEZ Energy International is further consolidating its position in Chile through the construction of an on-shore LNG storage tank in the North of the country. The tank forms part of the GNL Mejillones terminal, which GDF SUEZ Energy International jointly owns with Codelco. In doing so, GDF SUEZ Energy International has increased its stake to 63 per cent., which is in line with GDF SUEZ Energy International's long-term strategic vision for Chile.

5 Exchange rate of £1:A$1.606.

Outlook

The trends for the full year remain unchanged and the portfolio continues to perform well and in line with expectations.

GDF SUEZ Energy International's interim management report for the period ended 30 September 2010 can be downloaded from International Power's website at http://www.ipplc.com/news/regulatory-news.aspx under the heading "*10 Nov 2010 – Information on GDF SUEZ Energy International*" and is hereby incorporated by reference into this Prospectus.

Rule 9 Whitewash

Under Rule 9 of the City Code, any person or group of persons acting in concert who acquires an interest in shares (as defined in the City Code) which, taken together with the shares in which he and persons acting in concert with him are already interested, carry 30 per cent. or more of the voting rights in a company which is subject to the City Code, is normally required to make a general offer to all of the remaining shareholders to acquire their shares. Such an offer would have to be made in cash (or with a full cash alternative) at a price not less than the highest price paid by him, or by any member of the group of persons acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

The Merger Deed provides for the issue of 3,554,347,956 Ordinary Shares to subsidiaries of GDF SUEZ. **If no options are exercised or Ordinary Shares issued under the International Power Share Schemes and no Ordinary Shares are issued on conversion of any of the Convertible Bonds between 17 December 2010 (being the latest practicable date prior to the date of this Prospectus) and Admission, the maximum holding of the Wider GDF SUEZ Group in the voting rights of Enlarged International Power following Closing will be approximately 70 per cent.** If, between 17 December 2010 (the latest practicable date prior to the date of this Prospectus) and Admission, Ordinary Shares are issued as a result of the exercise of all outstanding options or otherwise under the International Power Share Schemes and the conversion of all of the outstanding Convertible Bonds, the minimum holding of the Wider GDF SUEZ Group in the voting rights of Enlarged International Power following Closing will be approximately 66 per cent.

As the interest of the Wider GDF SUEZ Group in Enlarged International Power following the Closing of the Transaction will therefore exceed 30 per cent. of the voting rights of Enlarged International Power, Electrabel and/or GDF SUEZ would normally be obliged to make a general cash offer pursuant to Rule 9 of the City Code to all other Shareholders to acquire their Ordinary Shares. The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Combination, subject to the approval of the Independent Shareholders. Accordingly, Resolution 2, as set out below under paragraph 3.7 of Part 12 (*Additional Information*), was proposed at the General Meeting and was taken on a poll.

Following Closing, the Wider GDF SUEZ Group will hold more than 50 per cent. of Enlarged International Power's voting share capital and may accordingly increase its interest in Ordinary Shares without incurring any obligation under Rule 9 of the City Code to make a general offer to other Shareholders to purchase their Ordinary Shares. However, as described in paragraph 16.1(b) of Part 12 (*Additional Information*) of this Prospectus, for the duration of the Relationship Agreement GDF SUEZ has agreed to a general prohibition on any member of the Wider GDF SUEZ Group or any of their concert parties from acquiring any Ordinary Shares following Admission. This restriction is subject to a limited carve-out to permit the Wider GDF SUEZ Group to make market purchases of Ordinary Shares so as to maintain GDF SUEZ's shareholding in Enlarged International Power at a level of up to 70 per cent. of the Ordinary Shares in issue from time to time.

Listing and Dealing

The Combination constitutes a "reverse takeover" for the purposes of the Listing Rules and therefore on Admission of the New Ordinary Shares, the listing of the Existing Ordinary Shares will be cancelled pursuant to the Listing Rules. Application will be made to the UK Listing Authority and the London Stock Exchange in connection with the Combination for the Existing Ordinary Shares to be readmitted and the New Ordinary Shares to be admitted to listing on the Official List and to trading on the Main Market of the London Stock Exchange, respectively.

It is expected that the Combination will become effective, Admission will occur and that dealings in the Ordinary Shares will commence at 8.00 a.m. on the day of Closing.

PART 2: INFORMATION ON THE INTERNATIONAL POWER GROUP

The following information should be read in conjunction with the information appearing elsewhere in this Prospectus, including the financial and other information in Part 5 (Operating and Financial Review relating to the International Power Group) and Part 7 (International Power Financial Information). The financial information included in this Part 2 (Information on the International Power Group) has been extracted without material adjustment from Part 5 (Operating and Financial Review relating to the International Power Group) or the financial information referred to in Part 7 (International Power Financial Information) which has been incorporated into this Prospectus by reference, or from the accounting records of the International Power Group, which formed the underlying basis of the financial information referred to in Part 7 (International Power Financial Information), which has been incorporated into this Prospectus by reference.

References in this Part 2 (Information on the International Power Group) to the "Company" or "International Power" include, where the context so requires, the Company, its subsidiaries, and its interests in joint ventures and associates as appropriate.

Overview

The Company is a leading global independent power generation business with interests in 34.4GW (gross) of power generating capacity in operating plants that are located in five core regions: North America, Europe, Middle East, Australia and Asia. It primarily engages in the development, acquisition and operation of power generation plants. The Company's Power Generation Portfolio consists of more than 50 Power Generation Plants (including a small number of plants currently under construction) which are located in 21 countries. It also engages in the development of businesses that are closely linked or complementary to the operation of the Company's Power Generation Plants, such as the desalination of water in the Middle East and small retail supply businesses in Australia and the United Kingdom.

The Company has grown significantly in the last five years, increasing its net power generation capacity by approximately 5GW through both acquisitions and greenfield developments. The Company's Power Generation Plants currently in operation have a total capacity of 34.4GW (gross) or 20.9GW (net) while its power generation capacity under different stages of construction is 4.5GW (gross) or 1.4GW (net).

It operates its business through a portfolio management approach, which involves maintaining a balance in the portfolio in terms of geographic location, fuel diversity, technology and contract type. The tables set out below present (from left to right) the percentage of the Company's gross power generation capacity (excluding Power Generation Plants under construction) located in each of its five geographic regions, the percentage of each fuel type it uses in its operations and the percentage of each type of contract under which the Company's power generation capacity is sold.

Geography		*Fuel*		*Contract*	
North America	21%	Gas	60%	Merchant	46%
UK-Europe	32%	Coal	24%	Contracted	54%
Middle East	22%	Renewable	4%		
Asia	14%	Hydro	6%		
Australia	11%	Oil	6%		

(1) International Power Capacity as of 9 August 2010, on a gross capacity basis.

(2) Contract mix as of 30 June 2010.

The Company's portfolio of Power Generation Plants contains all major technologies and fuel types with the exception of nuclear power. The Company's Power Generation Plants generate electricity primarily from gas and coal and, to a lesser extent, from water (both hydro and pumped storage), wind and oil. A significant portion of its power capacity is contracted to single customers pursuant to fixed-price long-term power purchase agreements ("**PPAs**"). The Company also sells a significant portion of the power it generates to customers through competitive merchant markets in the United States, the United Kingdom and Australia.

The Company's consolidated EBITDA increased from £1,061 million in 2007 to £1,372 million in 2009 (14 per cent. CAGR).

History of the Company

The Company is a public limited company which was incorporated on 1 April 1989 under the name National Power plc. It changed its name to International Power plc on 2 October 2000. It is registered in England and Wales under the Companies Act 1985 with company number 02366963 and has its registered office at Senator House, 85 Queen Victoria Street, London EC4V 4DP, United Kingdom.

The Company was created as part of the privatisation of the United Kingdom's Central Electricity Generating Board under the Electricity Act of 1989. In 2000 the Company demerged substantially all of its businesses in the United Kingdom into Innogy Holdings plc (the predecessor to RWE npower), retaining substantially all of its international businesses. Since the demerger, the Company has continued to increase its international presence by building or acquiring Power Generation Plants in numerous countries.

The Company's Industry

The Company is an independent electricity producer and developer and operates in the global electricity industry, which is one of the largest and systemically important energy industries in the world.

Electricity generation is the first process in the delivery of electricity to consumers. The other processes, which follow the generation of electricity are:

- *electric power transmission*, which is the bulk transfer of electrical energy from power generation plants to substations located near population centres; and
- *electric power distribution*, which is the final stage in the delivery of electricity to end-users through a distribution system's network that carries electricity from the transmission system and delivers it to consumers.

Electricity is generated at power generation plants by electromechanical generators. These generators are fuelled by combustible fossil fuels (such as coal, oil, and natural gas), nuclear power, hydroelectric power, pumped storage and through the use of solar energy, tidal harnesses, wind and geothermal sources. Falling water (hydro), high-pressure steam (produced in fossil-fuelled or nuclear-powered boilers), wind and internal combustion or turbine engines (found in smaller units) spin the generator, which converts mechanical energy into electricity.

The Company's Power Generation Plants located in Europe (other than the United Kingdom), the Middle East and Asia generally operate in regulated markets with long-term PPAs which insulate the Company's financial results in these regions from the impact of short-term changes in economic conditions. In contrast, it has assets in North America, the United Kingdom and Australia that operate in liberalised merchant markets, which can expose their financial results to short-term changes in market, regulatory and macro-economic conditions.

Generally, wholesale merchant markets establish a price for their commodities by matching supply and demand. The marketplace consists of buyers and sellers whose bids and offers determine a price at which supply is willing to produce electricity and demand is willing to consume it. However, unlike other commodities, electricity must be produced at nearly the same instant it is consumed, requiring a continuous and instantaneous balancing of supply and demand. Demand for electricity varies depending on a number of factors, including the time of day and weather conditions. Certain types of generation, for example coal-fired and nuclear power, provide steady output to supply the baseload demand. Other types of generation, such as pumped storage, are more flexible and can increase output at times of peak demand.

The structure of merchant markets varies in terms of the mechanisms through which electricity is traded and the systems through which supply and demand are balanced. For example, some markets are based on bilateral trading between market participants, while others are based around a centrally dispatched pool. Markets also differ in terms of how supply and demand is balanced and how power generators are remunerated for supporting the balancing of supply and demand.

Some competitive merchant markets, such as ISO-New England and PJM in the United States, operate "capacity markets" by establishing rules or incentives to create a market for generating capacity. To ensure that generators have the incentive and ability to keep adequate generation available, these market operators have a separate capacity market. The capacity market payments reflect the costs of keeping sufficient capacity (plus the reserve) ready and available to the region;

they represent the option to call on generators as and when needed. This capacity market helps the grid operator ensure that sufficient generating capacity will be available to meet high peak loads.

The balance between maximum demand and generation capacity capable of supplying this demand is frequently measured in terms of reserve margin, the difference between system generation capability and anticipated peak load expressed as a ratio. A declining reserve margin means that the ratio of demand relative to total installed capacity available to meet such demand is increasing and this increased pressure on the system is typically positive for wholesale electricity prices and the margins (or spreads) that the Company's Power Generation Plants (and those of the Company's competitors) can achieve.

For a brief overview of each of the markets in which the Company operates, see "*The Company's Power Generation Portfolio.*"

The Company's Power Generation Portfolio

The Company owns interests in more than 50 Power Generation Plants in 21 countries across five core regions representing an aggregate capacity of 34.4GW (gross) and 20.9GW (net) as at 9 August 2010. It has a range of Power Generation Plants under construction and at 9 August 2010, the Company had interests in Power Generation Plants currently in development in Canada, the UK, Italy, Portugal, Belgium, the United Arab Emirates, Australia, Indonesia, Pakistan and Thailand representing an aggregate capacity of 4.5GW (gross) and 1.4GW (net).

Energy Supplies

The Company's Power Generation Portfolio contains all major technologies and fuel types with the exception of nuclear power. Its Power Generation Portfolio generates electricity primarily from gas (60 per cent. of gross capacity), oil (6 per cent. of gross capacity), and coal (24 per cent. of gross capacity) and, to a lesser extent, from wind and water (both hydro and pumped storage). The gross capacity figures stated above are given as of 9 August 2010.

Fuel supply security is fundamental to the Company's business. Most of its markets have robust supply infrastructures. Other factors such as mines local to the power plant, fuel storage, dual-fuel capability and sourcing from a number of reputable suppliers enhance its security of fuel supply. Consequently, it has experienced very few fuel supply interruptions that have had an impact on operations.

The Company procures fuel under a variety of contractual arrangements ranging from long-term fuel supply agreements ("**FSAs**") to on-the-day merchant gas purchases. The principal determinant of its fuel supply activity is the need to match purchases to power sales, both in terms of volume, timing and price. Hence, the Company operates long-term FSAs at power plants where it has long-term PPAs and predominantly short-term merchant supply arrangements in its merchant power markets. This strategy helps mitigate against fuel price impacts and protects operational profitability from the effect of fuel price volatility.

Power Purchase Agreements

Among the Company's worldwide Power Generation Portfolio of assets in operation, slightly over half sell power to their customers through a type of long-term offtake agreement known as a PPA. The Company's use of PPAs varies significantly by region, with all of its Asian and Middle Eastern plants selling capacity and electrical output via PPAs, but only half of its European and Australian plants and less than a quarter of its North American plants doing so. Among its assets that are under construction, seven out of ten have signed PPAs and tolling agreements, including all five of the Middle Eastern and Asian plants under construction.

In recent years, PPAs have become "mature" agreements, similar to joint operating agreements in the oil industry and credit agreements in the banking industry, with the broad principles of such contracts largely fixed. PPAs play a key role in the financing and development of independently owned (i.e. not owned by a utility) power generation plants and in obtaining project financing for the construction or development of those plants. One of the principal benefits of a PPA is that by defining the output of the generating asset and the credit of its associated revenue streams, a PPA can be used by the project company generating the power to raise non-recourse financing from a bank or other financing counterparty. The seller under a PPA is typically an Independent Power Producer ("**IPP**"), because where the seller of power is a utility, such sales are typically so highly regulated that no PPA is required or appropriate. The purchaser under a PPA purchases capacity, energy and/or ancillary services from the project company generating the power.

The rights, title and interests of a project company which is party to a PPA as a seller can be pledged to the lenders who have financed the project pursuant to a direct agreement. Such agreements give the lenders a right to ''step into the shoes'' of the project company in relation to the key project agreements (which will include a PPA) when the project company defaults in some way. For example, the Company's rights and interests in the PPAs entered into for the sale of the power generated at the Turbogás and Tihama Power Generation Plants in Portugal and Saudi Arabia, respectively, are subject to a direct agreement.

The Company's PPAs generally have very long terms, ranging up to 40 years. In a typical PPA, part of the price the power purchaser pays the project company generating the electricity is typically a ''capacity charge'', which usually aims to recover all of the project company's fixed costs and equity return. Another component is an ''energy charge'', which includes the project company's fuel supply and other variable costs. Such costs are passed through to the purchaser at agreed rates. PPAs thus allow the Company to lock-in returns when the contract is signed, subject to performance in relation to plant availability and output. They also provide for allowances for planned outages in the contracted annual net generation.

Certain provisions in the Company's PPAs allow it to protect against various risks it faces. For example, in countries with historically weaker currencies than those of the major economies, the Company aims to have PPA tariffs denominated in, or indexed to, a major international currency, such as the US dollar, which protects future returns against large and rapid devaluations of the local currency.

Under some PPAs, the power purchaser has the option to purchase the generating equipment from the project company generating and selling the power at the end of the term of the PPA or pursuant to certain non-remediable events of defaults (as it is the case for example under the Company's PPAs for the power generated at the Turbogás and Tihama Power Generation Plants in Portugal and Saudi Arabia) or pursuant to a written notice (as it is the case under the Company's PPA for the power generated at the Paiton Power Generation Plant in Indonesia).

In many PPAs, the power offtaker purchases the entire output of power generated at the power generation plant. In others, the PPA purchaser agrees to purchase a fixed quantity of power and sales to third parties can either be authorised up to a fixed quantity or in an amount equal to the difference between the available capacity/output and the amount allocated to the PPA purchaser under the PPA. For example, under the PPA entered into with The Dow Chemical Company (''**Dow**'') for the steam and electricity production of the Company's Oyster Creek Power Generation Plant in the United States, the project company supplies Dow up to Dow's requirements but it must set aside a reserve capacity to supply third parties.

The Company's Operations, Power Generation Plants and Assets under Construction

North America

The following table summarises certain characteristics of the Company's Power Generation Plants in North America as at 9 August 2010.

Assets in operation	*Location*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity heat (MWth)*	*Net capacity heat (MWth)*	*Contractual position*
IP Canada Wind Portfolio	Canada	Wind	—	100	80	80			PPA
Calumet	Illinois	Gas	OCGT	100	303	303			Merchant
Bellingham	Massachusetts	Gas	CCGT	100	539	539			Merchant
Blackstone	Massachusetts	Gas	CCGT	100	488	488			Merchant
Milford	Massachusetts	Gas	CCGT	100	160	160			Merchant
Troy	Ohio	Gas/ oil	OCGT	100	616	616			Merchant
Armstrong	Pennsylvania	Gas/ oil	OCGT	100	625	625			Merchant
Coleto Creek	Texas	Coal	—	100	677	677			Merchant
Hays	Texas	Gas	CCGT	100	913	913			Merchant
Midlothian	Texas	Gas	CCGT	100	1,423	1,423			Merchant
Oyster Creek	Texas	Gas	Cogen/CCGT	50	440	220	100MWth	50MWth	PPA
Pleasants	West Virginia	Gas/ oil	OCGT	100	313	313			Merchant
EcoEléctrica	Puerto Rico	LNG	CCGT	35	548	192			PPA
North America total in operation					*7,125*	*6,549*			

Europe

The following table summarises certain characteristics of the Company's Power Generation Plants in Europe as at 9 August 2010.

Assets in operation	*Location*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity steam (t/h)*	*Net capacity steam (t/h)*	*Contractual position*
IPR European Wind Portfolio	Germany, Italy, France, Netherlands	Wind		100[1]	1,216	1,210			Regulated Tariff
ISAB	Italy	Gas	IGCC	34	562	193			PPA
Tejo Energia (Pego)	Portugal	Coal		50	628	314			PPA
Turbogás	Portugal	Gas	CCGT	100	1,008	1,008			PPA
Spanish Hydro	Spain	Hydro/ Solar		67	88	58			PPA
Uni-Mar (Marmara)	Turkey	Gas	CCGT	33	488	162			PPA
Deeside	UK	Gas	CCGT	75	500	375			Merchant
Derwent	UK	Gas	CCGT	23	214	49	190t/h	44t/h	PPA
Eggborough[2]	UK	Coal		10	1,960	196			Merchant
First Hydro	UK	Pumped storage		75	2,088	1,566			Merchant
Indian Queens	UK	Oil	OCGT	75	140	105			Merchant
Rugeley	UK	Coal	50MW of OCGT	75	1,050	788			Merchant
Saltend	UK	Gas	CCGT/ Cogen	75	1,200	900	135t/h	100t/h	Merchant
Europe total in operation					*11,142*	*6,923*			

(1) International power has a 75 per cent. interest in a 30MW wind farm (27MW operating, 3MW under construction) located in Southern Italy.

(2) Eggborough is accounted for as an available-for-sale investment.

The following table summarises the Company's Power Generation Plants under construction in Europe as at 9 August 2010.

Assets under construction	*Location*	*Expected operational date*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Contractual position*
IPR European Wind Portfolio	UK, Italy	2010	Wind		100[1]	5	4	Regulated Tariff
Elecgas	Portugal	2011	Gas	CCGT	50	830	415	Tolling
T-Power	Belgium	2011	Gas	CCGT	33	420	140	Tolling
Europe total under construction						*1,255*	*559*	

(1) International Power has a 75 per cent. interest in a 30MW wind farm (27MW operating, 3MW under construction) located in Southern Italy.

The Middle East

The following table summarises certain characteristics of the Company's Power Generation Plants and other significant business interests in the Middle East as at 9 August 2010.

Assets in operation	*Location*	*Fuel*	*Type*	*Ownership (%)*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity desal (MIGD) steam (t/h)*	*Net capacity desal (MIGD) steam (t/h)*	*Contractual position*
Hidd	Bahrain	Gas	CCGT/ desalination	40	1,006	402	90MIGD	36MIGD	PWPA[1]
Al Kamil	Oman	Gas	OCGT	65	276	180	PPA		
Ras Laffan B	Qatar	Gas	CCGT/ desalination	40	1,055	422	60MIGD	24MIGD	PWPA[1]
Tihama	Saudi Arabia	Gas	Cogen	60	1,076	646	2,040t/h	1,225t/h	PPA
Shuweihat SI	UAE	Gas	CCGT/ desalination	20	1,572	314	100MIGD	20MIGD	PWPA[1]
Umm Al Nar	UAE	Gas	CCGT/ desalination	20	2,450	490	143MIGD	29MIGD	PWPA[1]
Middle East total in operation					*7,435*	*2,454*			

(1) Power and Water Purchase Agreement.

The following table summarises the Company's Power Generation Plants under construction in the Middle East as at 9 August 2010.

Asset under construction	*Location*	*Expected operational date*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity desal (MIGD)*	*Net capacity desal (MIGD)*	*Contractual position*
Fujairah F2.......	UAE	2010	Gas	CCGT/ desalination	20	2,000	400	130MIGD	26MIGD	PPA

Australia

The following table summarises certain characteristics of the Company's Power Generation Plants and other significant business interests in Australia as at 9 August 2010.

Assets in operation	*Location*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity steam (t/h)*	*Net capacity steam (t/h)*	*Contractual position*
Canunda.......................	South Australia	Wind		100	46	46			PPA
Pelican Point................	South Australia	Gas	CCGT	100	487	487			Merchant
Synergen.......................	South Australia	Gas/ distillate		100	371	371			Merchant
Hazelwood..................	Victoria	Coal		92	1,688	1,553			Merchant
Loy Yang B................	Victoria	Coal		70	1,026	718			PPA
Kwinana.......................	Western Australia	Gas	CCGT	49	118	58	96t/h	47t/h	PPA
Australia total in operation..................					*3,736*	*3,233*			

The following table summarises the Company's Power Generation Plants under construction in Australia as at 9 August 2010.

Asset under construction	*Location*	*Expected operational date*	*Fuel*	*Type*	*International Power Group ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Contractual position*
Synergen	South Australia	2010	Gas/distillate		100	24	24	Merchant

Asia

The following table summarises certain characteristics of the Company's Power Generation Plants and other significant business interests in Asia as at 9 August 2010.

Assets in operation	*Location*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity heat (MWth)*	*Net capacity heat (MWth)*	*Contractual position*
Paiton(1)..	Indonesia	Coal		31	1,365	423			PPA
HUBCO	Pakistan	Oil		17	1,290	219			PPA
KAPCO..	Pakistan	Gas/oil	CCGT	36	1,600	576			PPA
Uch...	Pakistan	Gas/oil	CCGT	75	572	429			PPA
TNP (Pluak Daeng).....................	Thailand	Gas	Cogen	100	143	143	7.7MWth	7.7MWth	PPA
Asia total in operation					*4,970*	*1,790*			

(1) In June 2007, International Power also acquired the right to additional returns from Paiton equivalent to 9.2 per cent. of earnings and cash distributions.

The following table summarises the Company's Power Generation Plants under construction in Asia as at 9 August 2010.

Assets under construction	*Location*	*Expected operational date*	*Fuel*	*Type*	*Ownership per cent.*	*Gross capacity power MW*	*Net capacity power MW*	*Gross capacity heat (MWth)*	*Net capacity heat (MWth)*	*Contractual position*
Paiton 3(1).................	Indonesia	2012	Coal		31	815	253			PPA
HUBCO-Narowal.....	Pakistan	2010	Oil		17	214	36			PPA
HUBCO-Laraib........	Pakistan	2013	Hydro		13	84	11			PPA
TNP..........................	Thailand	2012	Gas	Cogen	100	110	110	4.2MWth	4.2MWth	PPA
Asia total under construction					*1,223*	*410*				

(1) In June 2007, International Power also acquired the right to additional returns from Paiton equivalent to 9.2 per cent. of earnings and cash distributions.

The Company's Other Business Interests

The following table summarises the Company's other business interests which are complementary or closely linked to its power generation business as at 9 August 2010.

Other businesses	*Location*	*Group ownership per cent.*	*Description*
IPM Energy Retail	UK	75	Independent supplier of electricity to commercial and industrial customers
Opus Energy	United Kingdom	30	Independent supplier of electricity to small and medium-sized businesses
Simply Energy	Victoria and South Australia	100	Electricity and gas retailer
SEA Gas pipeline	Victoria and South Australia	33	687km gas pipeline from Victoria to South Australia

The Company's Customers

The Company is present in non-liberalised (contracted) markets which typically provide opportunities to sell power to state-owned and other local offtakers via long-term PPAs that offer stable returns as well as in liberalised (merchant) markets which are generally more volatile because the Company's assets are subject to the forces of supply and demand.

The Company sells much of the power it generates to single customers pursuant to fixed price long-term offtake PPAs, but a significant portion of the power it generates, particularly power generated by its Power Generation Plants in the United States, the United Kingdom and Australia, is sold to customers through competitive merchant markets.

The Company's customers can be categorised into three main groups:

- Retail customers, who are either residential, commercial or industrial customers. Sales to these customers are administered to cover end-use purposes and mostly comprises sales to the customers of Simply Energy in South Australia and Victoria in Australia (which has over 338,000 billable power and gas accounts, and over 367,000 total power and gas accounts (i.e. including accounts which are in the transfer pipeline));
- Corporate customers, who are principally merchant trading counterparties in the wholesale power market and comprise electricity utility companies, who require energy to meet retail sales requirements, and market makers such as large investment banks; and
- State-owned customers, who are either owned directly by the government or the state, or are institutions backed by guarantees from the government. Sales to these customers are typically administered under long-term PPAs.

Risk Management Framework

The Company's risk management philosophy is designed to deal with the diverse set of risks faced by its business and contains both bottom-up and top-down elements to support the identification, reporting and management of risks.

Corporate level: Policy, delegations and exposure limits are set at the corporate level, with the International Power Board taking ultimate responsibility. Business practices, and engineering and operational standards, are set centrally.

Regional level: Market and trading risks are managed regionally within the framework set at the corporate level. Political risks are also managed regionally with support from the corporate centre.

Business units: Risk assessments and mitigation action plans are mainly originated in business units. Health, safety and environmental ("**HS&E**") compliance activities are also managed locally and regionally, within a central policy framework. Local business managers are accountable for managing the risks within their areas of responsibility. This principle also applies to the managers of the Company's regional and corporate functions.

The Company has a process for identifying, evaluating and managing the key risks faced by the International Power Group. The process is coordinated by the Risk Committee, which is chaired by the Chief Financial Officer and comprises Executive Directors and Senior Managers. The International Power Risk Committee has responsibility, on behalf of the International Power Board, for ensuring (i) the adequacy of systems for identifying and assessing significant risks, (ii) that appropriate control systems and other mitigating processes are in place and (iii) that residual exposures are consistent with the International Power Group's strategy and objectives.

During the business planning process, each significant business unit and functional group identifies and assesses the key risks associated with the achievement of its principal business objectives and their potential impact. During the year, significant changes in the risk profile are highlighted through the business performance reporting process. Each year the business carries out a Group-wide risk review. This is based on the outcome of the business planning exercise, updated as necessary to take account of "post business plan" events. The assessments are synthesised into a risk report that identifies all the principal risks, which is reviewed by the International Power Risk Committee. Where risks are considered to exceed the International Power Group's risk appetite, the International Power Risk Committee directs which actions are to be taken. The risk report is reviewed by the full International Power Board.

Intellectual Property

The Company does not have material intellectual property.

Research and Development

Research and development is not a core element of the business of the International Power Group. For the period under review, the Company did not undertake significant expenditure on research and development.

The Company will look to take advantage of technical advances as they arise and will continue to seek to develop power stations in the regions in which the International Power Group operates, making effective use of current and new technology as and when available.

Insurance

The Company's operations are subject to all the risks normally associated with power generation and the transportation of fuels. It insures its assets and operations at levels of coverage and deductibles that management believes to reflect their current market values and risk exposure and as required by applicable law. In addition to several smaller local policies, the Company's corporate coverage includes: material damage, business interruption, terrorism, combined liability, crime, directors and officers liability, workers' compensation/employer's liability, motor fleet liability, personnel accident and travel, general property, marine cargo and charter's liability.

In 2003, the Company launched its captive insurance company, which allows it to cover its activities while retaining an appropriate level of catastrophe coverage through insurance risk transfer.

Although there can be no assurance that the amount of insurance carried by the Company is sufficient to protect it fully in all events, all insurance is carried at levels of coverage and deductibles that the Company considers prudent and responsible. See "*Risk Factors – The Group's insurance coverage may not be adequate to cover it for all possible losses it incurs in the event of loss or damage to any of its Power Generation Plants or project companies*".

Employees

At the end of 2009, the Company, its subsidiaries and its proportionate share of joint ventures employed approximately 4,400 people. The table below sets out the average number of employees of the Company, its subsidiaries and its proportionate share of joint ventures by geographic segment (with corporate and development employees as a separate category) during the years ended 31 December 2009, 31 December 2008 and 31 December 2007.

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009
	(number of employees)		
North America	392	416	431
Europe	1,704	1,803	1,718
Middle East	566	537	523
Australia	802	849	905
Asia	612	628	624
Corporate and development	183	205	212
Average number of employees	**4,259**	**4,438**	**4,413**

The International Power Group works in a complex business environment where recruiting and retaining highly skilled employees is essential. It has implemented strategies to improve its capacity to attract, develop and retain talented people throughout its organisation. The global energy industry faces challenges as the number of engineers and skilled technical operators retiring exceeds the number graduating with engineering degrees and technical experience. This resource shortage has the potential to affect the Company, its partners and its competitors. The Company is taking comprehensive steps to address this issue across the business. Competitive pay, benefits and a number of incentive plans are offered to attract and retain talented people in the organisation. For senior staff, the Company continues to operate a number of share-based long-term incentive plans. It views these as an integral part of its strategy to align the interests of staff with the International Power Group's performance, based on clear financial criteria.

Entities of the International Power Group operate pension arrangements in order to provide pension benefits to retired employees. Benefits granted have been developed to reflect local practice and may be provided through defined benefit or defined contribution schemes. The main defined benefit plans are in the United Kingdom and Australia.

In the United Kingdom, the majority of pensions for UK employees are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (''**ESPS**''), which is a defined benefit scheme with assets invested in separate trustee administered funds. The ESPS is divided into sections and the International Power Group of the ESPS was opened to members on 1 April 2002 and employees' past service rights were transferred into the International Power Group later that year. The majority of employees taken on in First Hydro (as part of the acquisition of the Edison Mission Energy portfolio in 2004) are members of another section of the ESPS, the First Hydro Group.

Following a strategic review of the International Power Group's exposure to pension risk over the long-term and a period of consultation with employees and their representatives, both the International Power Group of the ESPS and the First Hydro Group of the ESPS in the United Kingdom were closed to new members effective from 1 June 2008. Existing members continue to accrue future service benefits under these plans. UK employees hired after 1 June 2008 have been eligible to become members of a defined contribution pension plan.

At their latest triennial valuations (formal agreements completed on 23 November 2010 but each with effective date 31 March 2010), the International Power Group's two UK defined benefit pension schemes recorded a combined deficit of £59 million (on combined assets of approximately £167 million). In order to repair the deficits, recovery plans have been agreed between the Company and the two boards of pension trustees which are designed to eliminate the shortfalls by early 2015. An initial lump sum will be paid into each scheme by the end of January 2011, with the total of the two payments being £24 million. Monthly payments will then be made on a uniform basis over the remainder of the recovery plan periods, with combined annual payments of approximately £9 million.

In Australia, the combined deficits of the three defined benefit plans were measured on an accounting basis, in December 2009, at around £24 million. Following the most recent actuarial valuations of these plans, in June 2008, the Company increased its contributions to liquidate the deficits in accordance with the recommendations of the plan actuaries. The risk of significant increases to the International Power Group's obligations under the Australian plans is limited by the ''lump sum'' nature of the retirement benefit payment. Both post-retirement inflation risk and longevity risk, which would each apply were benefits paid as pension, are removed from consideration where benefits are paid as cash in a lump sum.

The Company's different operations are subject to varying degree of unionisation. A few of its sites have high union representation. Its relationships with the unions have generally been good and it has not been affected by industrial action for several years, but this remains a risk. The Company maintains appropriate dialogues with staff unions to ensure that it is aware of any potential issues in good time to mitigate its risks.

PART 3: INFORMATION ON GDF SUEZ ENERGY INTERNATIONAL

The following information should be read in conjunction with the information appearing elsewhere in this Prospectus, including the financial and other information in Part 6 (Operating and Financial Review relating to the GDF SUEZ Energy International Division) and Part 8 (GDF SUEZ Energy International Financial Information). The financial information included in this Part 3 (Information on GDF SUEZ Energy International) has been extracted without material adjustment from Part 6 (Operating and Financial Review relating to the GDF SUEZ Energy International Division) or the financial information set out in Part 8 (GDF SUEZ Energy International Financial Information), or from the accounting records of GDF SUEZ Energy International, which formed the underlying basis of the financial information in Part 8 (GDF SUEZ Energy International Financial Information), which has been incorporated into this Prospectus by reference. The businesses and assets of GDF SUEZ described in this section will form part of the Enlarged International Power Group following Closing. Assets held by the GDF SUEZ Group, but which are not currently part of the GDF SUEZ Energy International Division, will be subject to internal reorganisation prior to Closing, in order that they can be contributed to the Enlarged International Power Group.

SECTION A

Business overview

The GDF SUEZ Energy International Division within the GDF SUEZ Group is responsible for the GDF SUEZ Group's activities outside continental Europe and Russia. Electricity and natural gas are its core businesses, with activities in electricity production (excluding nuclear activities), trading, marketing and sales, and, in the gas sector, transport, distribution and sales and LNG regasification terminals. The GDF SUEZ Energy International Division manages a total of 32.8GW (gross) or 20GW (net) of capacity in operation in 18 countries with a further 17.3GW (gross) or 6.2GW (net) in construction. Its customers include governments, industry, the tertiary sector (commercial and public undertakings), as well as residential energy users. In this Part 3 (*Information on GDF SUEZ Energy International)* of this Prospectus, all operational indicators (such as installed capacity and electricity production) are reported as of 30 June 2010, and presented on a gross basis, unless stated otherwise. The tables below provide a breakdown of the GDF SUEZ Energy International Division's assets by geography, fuel mix and contract type as at 30 June 2010.

A full list of the GDF SUEZ Energy International Division's Assets is set out in Section B of this Part 3 (*Information on GDF SUEZ Energy International*).

Geography	*Gross Capacity in operation (GW)*	*Net Capacity in operation (GW)*
Latin America	10.6	6.1
Middle East and Asia	12.6	5.1
North America	7.5	6.7
UK	2.1	2.1
Total	32.8	20

Fuel mix	*Percentage of capacity in operation (gross)*	*Percentage of capacity in operation (net)*
Gas	61	59
Hydro power	24	24
Coal	9	10
Other (non-renewable)	5	4
Renewable (excluding hydro)	1	3

Contract type	*Percentage of capacity in operation (gross)*	*Percentage of capacity in operation (net)*
Contracted	73	64
Merchant	27	36

The GDF SUEZ Energy International Division has a significant pipeline of committed projects in terms of capacity (17.3GW gross or 6.2GW net), and for the year ended 31 December 2009 GDF SUEZ Energy International generated sales of €9,322 million, EBITDA of €1,977 million and current operating income of €1,422 million.

Strategy

The GDF SUEZ Energy International Division has established a business model based around two approaches which are referred to by GDF SUEZ Energy International as ''system play'' and ''asset development''.

GDF SUEZ Energy International Division's ''system play'' business model involves the integration of complementary gas and electricity assets within a limited number of markets where its positions are already well developed and where the regulatory and market structure (such as the US and Mexico, Brazil, Chile, Peru, Thailand and Singapore) makes market entry and integration possible. The ''system play'' business model is a long-term strategy based on achieving industrial synergies, economies of scale, portfolio management, trading, marketing and sales capabilities, as well as credibility and reputation.

GDF SUEZ Energy International Division's ''asset development'' business model involves the development of greenfield projects and the acquisitions of established assets in selected markets that meet its investment criteria. The GDF SUEZ Energy International Division has been able to execute this investment strategy successfully by virtue of its strong market analysis and business development capabilities, flexibility and the speed at which it is able to take advantage of market opportunities when they arise.

The main GDF SUEZ Energy International Division strategy guidelines can be summarised as follows:

- maintaining a balanced portfolio in terms of asset location, fuel and activity mix and the contractual and regulatory environments;
- giving priority to markets with high growth in energy demand and/or the potential from which to derive significant value from industrial synergies; and
- the management of exposure and volatility through active portfolio management and trading.

Organisation

The GDF SUEZ Energy International Division comprises the following entities within the GDF SUEZ Business Line Energy Europe and International:

- GDF SUEZ Energy North America;
- GDF SUEZ Energy Latin America;
- GDF SUEZ Energy Middle East, Asia & Africa (including the gas distribution activities in Turkey); and
- United Kingdom activities.

BEEI Matrix Organisation

GDF SUEZ's Business Line Energy Europe and International (''**BEEI**'' or ''**GDF SUEZ Energy Europe & International**'') business line is one of six business lines within the GDF SUEZ Group. BEEI is organised around a matrix structure of five geographical business areas each with their own local business support teams which are overseen by six centrally located support functions who are based at the headquarters in Brussels. Both the central support functions and each of the local business areas report directly to the Chief Executive Officer.

Within BEEI, GDF SUEZ Energy International comprises three of these five business areas; namely Latin America, North America and Middle East, Asia and Africa, with respective headquarters in Florianopolis (Brazil), Houston (US) and Bangkok (Thailand), together with the UK and Turkey gas distribution businesses. Each business area is headed by a regional manager who is responsible for the financial performance of the operational activities of the relevant business area, and proposes strategic orientations and new development actions. BEEI's assets in Benelux, Germany and the remainder of continental Europe (with the exception of Turkey) do not form part of GDF SUEZ Energy International.

The centrally located support functions are organised in to six functional clusters: Strategy, Finance, Human Resources, Communications and Legal, Business Development Oversight, Markets & Sales, and Operations. The functional support managers and their teams provide supervision, guidance, common methodologies and procedures, suggestions for improvements and knowledge and experience gathered from across the organisation to the regional teams.

This matrix organisation provides the local teams with both flexibility and responsibility to run and develop their businesses, while the support teams ensure direction and consistency, and help optimise synergies across the business areas and BEEI as a whole.

To date this structure has resulted in:

- increased efficiency by drawing on expertise and skills around the world;
- the development of synergies and business opportunities within BEEI and across the GDF SUEZ Group as a whole, such as joint equipment procurement or the use of the GDF SUEZ Group's worldwide presence to establish or develop relationships with major corporations; and
- knowledge and experience gained from developments and trends in international markets which also affect local markets.

Following Closing, the provision of support functions by the Wider GDF SUEZ Group to the Enlarged International Power Group will be governed by the Electrabel Services Agreement and the Expatriates Services Agreement and the provision of a more limited list of arm's length services by the Enlarged International Power Group to the Wider GDF SUEZ Group will be governed by the International Power Services Agreement, each as further described in paragraphs 16.1(c), 16.1(d) and 16.1(e) of Part 12 (*Additional Information*) of this Prospectus.

History and development of the GDF SUEZ Energy International Division

The GDF SUEZ Energy International Division's activities began in 1988, when its Belgian parent company, then called Tractebel, began to explore, and develop international energy opportunities that would prepare it for the anticipated deregulation of Europe's energy market. In doing so, Tractebel was one of the first energy groups in Europe to pursue a strategy of international expansion.

In addition to expanding across Europe, it rapidly acquired positions in four other regions that now form the core of GDF SUEZ's growth strategy: Latin America, North America, the Middle East and Asia. Between 1998 and 2002, the SUEZ group (which later became part of the GDF SUEZ Group) consolidated its positions in these markets with several large-scale acquisitions and the construction of major power plants.

In 2003, SUEZ Energy International (which later became GDF SUEZ Energy International) became one of four divisions of the SUEZ group.

Between 2003 and 2006, SUEZ Energy International streamlined its operations and focused its strategy on a number of key markets, with core activities being power generation and power and gas distribution.

In 2008, SUEZ merged with Gaz de France and GDF SUEZ Energy Europe & International was created as a separate business line of the new GDF SUEZ Group, grouping all of the new group's combined electricity and gas activities worldwide (except France). In 2009, the business line was reorganised to create five geographically-split business areas and the matrix organisation was expanded to include the European entities (except France).

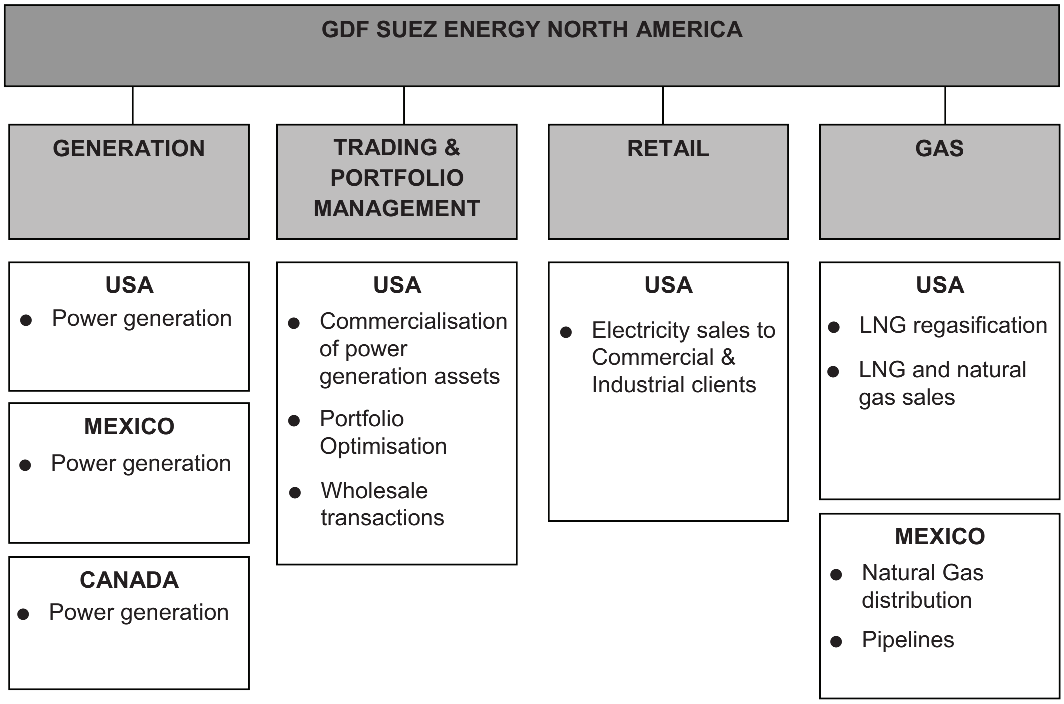
During the last twenty years, the division today known as GDF SUEZ Energy International has developed its international positions to become the world's leading independent power producer by installed operating capacity.

GDF SUEZ Energy North America

GDF SUEZ Energy North America ("**GSENA**") manages all of the GDF SUEZ Group's electricity and gas activities in the United States, Canada and Mexico.

GSENA undertakes various activities that span an integrated value chain ranging from LNG importation and regasification to wholesale and retail electricity sales to commercial and industrial customers.

GSENA is organised into four business entities corresponding to three segments of the electricity value chain (power generation, trading and portfolio management and retail sales to commercial and industrial customers), and gas. The diagram below illustrates these four business entities.



GSENA operates a portfolio of power, cogeneration, steam, and chilled-water facilities representing a capacity of approximately 7.5GW (gross) or 6.7GW (net) of electricity generation, 3,000 tons of steam per hour, and 42,000 tons of chilled water per hour. 1,619MW (gross) or 1,609MW (net) of this capacity is powered by renewable fuels i.e. wind, hydro, and biomass. GSENA's natural gas assets include the Everett and Neptune LNG receiving terminals in Massachusetts and currently serve most of the gas utilities in New England and key power producers, meeting approximately 20 per cent. of New England's annual gas demand.

In addition, through its retail entity, GDF SUEZ Energy Resources NA, Inc., GSENA currently serves commercial and industrial customers in 11 U.S. markets: Delaware, Texas, Massachusetts, Maine, Maryland, New York, New Jersey, Pennsylvania, Illinois, Connecticut, and Washington, D.C. Through this retail entity, GSENA serves over 60,000 customers with a peak demand ranging from 50kW to over 200MW, with an estimated peak load of over 8,000MW in total.

GSENA's development strategy is focused on three sectors – power, gas, and retail. GSENA is focused on developing low CO_2 emitting power resources (gas-fired and renewable) as well as seeking to benefit from the various government incentives for renewable resources.

GSENA intends to continue its work to grow its retail power business and strives to become the supplier of choice and to build links between its power, gas, and renewables businesses.

United States

GSENA is headquartered in Houston, Texas, and employs over 2,000 people. GSENA owns and operates the Everett terminal just north of Boston, Massachusetts, which has the capacity to deliver approximately 700 million cubic feet of natural gas per day to the New England market. GSENA also leases approximately 8 billion cubic feet of natural gas storage throughout the United States. GSENA owns, operates or is constructing 65 electrical power plants and cogeneration, steam production and cold-water units in the US. The energy produced by these facilities is sold in the open market and to distribution and industrial companies under long-term PPAs. In 2008 and 2009, GSENA was the largest importer of LNG into the United States and its territories according to the US Department of Energy, and has maintained this position, or the position of second largest importer of LNG, in each month of 2010 up to September 2010 (inclusive).

In 2008, through the acquisition of First Light Power Enterprises, Inc., GSENA added more than 1,500MW of generation capacity (gross and net), primarily pumped hydro storage and conventional hydro facilities, in Massachusetts and Connecticut. These facilities, when combined with GSENA's other New England assets, make GSENA a leading energy provider in the region. GSENA operates the third largest biomass portfolio in North America, with 126MW (gross) or 120MW (net) of biomass capacity. GDF SUEZ Energy Resources NA, is currently ranked as the second largest retail electricity provider to commercial and industrial customers by the independent consulting firm, KEMA.

Located approximately 10 miles off the coast of Massachusetts, GSENA's offshore LNG receiving and delivery port, Neptune LNG, became operational in the first quarter of 2010. The Neptune facility has a design send-out capacity of 400 million cubic feet of natural gas per day, on average, and will supplement deliveries made to the Everett, Massachusetts terminal.

Early in 2010, GSENA increased its ownership interest from 30.45 per cent. to 58.54 per cent. in the 575MW Astoria Energy I natural gas-fired power plant located in the Queens Borough of New York City, making GSENA the largest shareholder in the facility. Earlier in 2009, GSENA entered into an agreement relating to the expansion of the existing power plant pursuant to which GSENA will invest in Astoria Energy II, a second natural gas-fired power plant that will be built in the same area and which is expected to have generating capacity of 575MW. GSENA affiliates hold a 30 per cent. interest in Astoria Project Partners II, the limited liability company that owns Astoria Energy II. The project, currently under construction, is expected to be completed in 2011 and will provide electricity to the New York Power Authority under a 20-year PPA.

Mexico

In Mexico, the GDF SUEZ Group's gas activities include six natural gas distribution companies (Guadalajara, Querétaro, Tampico, Tamauligas, Puebla and Mexico Distrito Federal) and two pipeline companies (Mayacan and Bajio). In Mexico, GSENA also manages three steam-electricity cogeneration projects with a total installed capacity of 278MW (gross and net). Output from these power plants is sold under long-term contracts to five major industrial clients as well as to Mexican authorities.

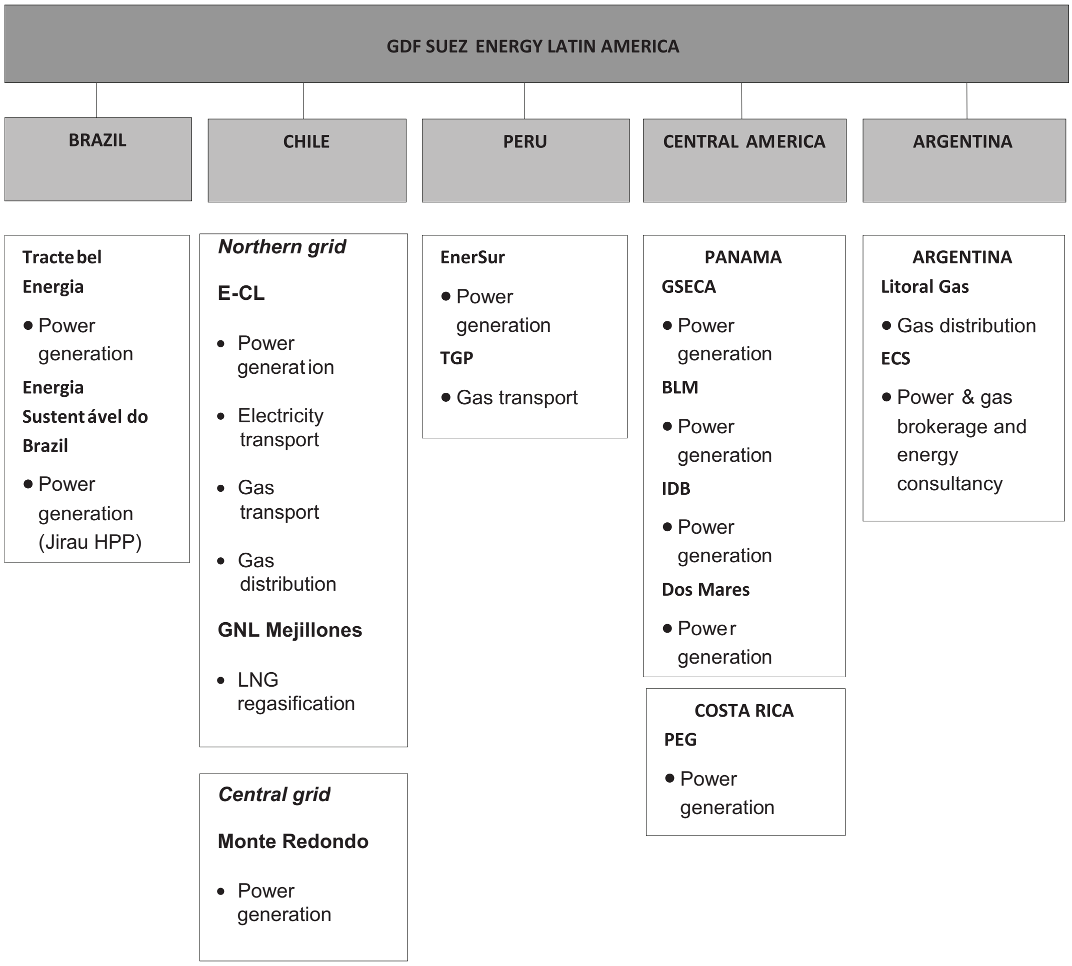
Canada

GSENA's Canadian operations are built around a central theme of clean generation, including a wind power generation fleet of 207MW (gross and net) located in eastern Canada, and a 112MW (gross) or 108MW (net) clean-burning natural gas plant in Windsor, Canada. GDF SUEZ also holds a stake in Intragaz, a gas storage company.

GDF SUEZ Energy Latin America

GDF SUEZ Energy Latin America ("**GSELA**") manages all of the GDF SUEZ Group's gas and electricity activities in Latin America which are mainly located in Brazil, Chile and Peru but also in Panama, Costa Rica and Argentina.

GSELA is organised into five business entities along geographical lines: Brazil, Chile, Peru, Central America and Argentina. The diagram below sets out the structure of GSELA.



GSELA manages more than 10.6GW (gross) or 6.1GW (net) of power capacity in operation and a further 5.4GW (gross) or 2.5GW (net) of power capacity is in the construction phase.

GSELA's strategy is to aim to sustain its growth in Latin America by reinforcing its strong positions in three key markets (Brazil, Chile and Peru) and using them as the foundations for further development. Further opportunities in power generation are currently being pursued in Panama, Colombia and other Central American regions. GSELA's natural gas activities are linked to its core power generation business and are currently being complemented with LNG activities.

GSELA is currently pursuing development opportunities in carbon-free energy sources, principally in the areas of hydro, biomass and wind energy projects across the region.

Brazil

In Brazil, GSELA's existing power assets and the development of selected small and medium sized power plants are managed by Tractebel Energia ("**TBLE**"). The development of large projects is carried out by GDF SUEZ Energy Brazil. Through TBLE, the GDF SUEZ Energy International Division is the largest independent electric power producer in Brazil in terms of installed capacity.

TBLE, the country's largest independent electricity producer, is 68.71 per cent. owned by GSELA and is listed on the Sao Paolo Stock Exchange. TBLE operates an installed capacity of 7,437MW (gross) or 6,239MW (net), mainly generated through hydropower projects. This represents approximately six per cent. of the total installed power generation capacity in Brazil. TBLE sells the majority of the electricity that it produces through bilateral contracts entered into with distributors and industrial customers. The TBLE power generation portfolio includes the 241MW hydroelectric São Salvador plant which became operational in 2009.

Two new power plants of TBLE became operational in Brazil at the start of 2010; the Areia Branca which is a small hydropower plant with 20MW (gross) capacity and a 33MW (gross) sugar cane bagasse fuelled facility called Andrade, developed in partnership with a local sugar cane and ethanol producer.

TBLE also holds a 40.07 per cent. interest in the 1,087MW Estreito hydropower project, currently under construction in Brazil. A significant portion of its assured energy production has already been sold under 30-year contracts starting in 2012. The plant is currently expected to become operational by February 2011.

In 2008, GDF SUEZ Energy Brazil won the concession to build, own and operate the 3,300MW Jirau greenfield hydropower project. The capacity of the project was increased to 3,450MW, with the addition of two generating units. The project is 50.1 per cent. owned by GSELA and 30-year PPAs have been entered into with distributors for the off-take of 70 per cent. of the project's 1,975MW assured energy production. The price payable under the PPAs was set through an auction process. These PPAs will become effective in January 2013 although the plant is scheduled to start commercial operations by March 2012. During the period between the plant becoming operational (expected to be March 2012) and the PPAs becoming effective (January 2013) and at any time in respect of the remaining 30 per cent. assured energy production beginning in 2013, GSELA will be able to sell its interest in the energy output in the free industrial market. The project is in the process of seeking the necessary regulatory approvals to increase its total capacity by another 300MW. Any additional power will be sold either to distributor companies through energy auctions for long-term PPAs or to unrestricted industrial clients under different PPAs.

In July 2009, the Jirau Consortium (of which GSELA is a member) signed a 7.2 billion Brazilian Reals (approximately €2.44 billion) finance contract with the Brazilian development bank BNDES and other commercial banks to fund two-thirds of the total initial construction costs of the Jirau project. Construction is progressing according to schedule.

Peru

In Peru, GDF SUEZ owns 61.73 per cent. of EnerSur, which is listed on the Lima Stock Exchange. EnerSur has an installed power generation capacity of approximately 1,042MW (gross and net). In August 2009, EnerSur's third open cycle gas turbine became operational at the ChilcaUno site. In 2009, EnerSur was the second largest private power generator in Peru, and the third overall (taking into account the public sector), with a market share of approximately 18 per cent. (in terms of capacity). In the last 5 years, EnerSur accounted for 52 per cent. of the total new power generation capacity of Peru.

EnerSur's projects under construction include the conversion of the thermal power station at the ChilcaUno plant near Lima to a combined cycle facility with the aim of increasing its efficiency and, as a result, increasing the total capacity of the plant to approximately 800MW. Also under construction is a new 112MW hydroelectric power plant at Quitaracsa, 500 km to the north east of Lima, which is expected to form part of the Peru National Electricity Grid.

Chile

In January 2010, GDF SUEZ and Corporación Nacional del Cobre de Chile ("**Codelco**"), a Chilean copper producer, completed the merger of all their electricity assets and gas transport activity in Chile's northern electricity grid (the "**SING**"), which are now held by GDF SUEZ's subsidiary E-CL. GDF SUEZ has a 52.4 per cent. controlling interest in E-CL, Codelco holds a 40 per cent. interest and the remaining 7.6 per cent. is traded on the Santiago stock exchange. Under the terms of the merger, the following assets are now held by E-CL: Electroandina, Edelnor, Gasoducto Nor Andino (Chile and Argentina), Central Termoeléctrica Andina ("**CTA**") and Central Termoeléctrica Hornitos ("**CTH**") (CTA and CTH being coal power stations currently under construction in Mejillones (each of which has a 150MW capacity)).

E-CL is the leading electricity generator in northern Chile and is also Chile's fourth largest electricity producer (in each case in terms of installed capacity). E-CL has an installed capacity of 1,691MW in the SING which represents approximately 49 per cent. of the installed capacity in the SING. E-CL capacity will increase to 1,991MW (gross) or 1,931MW (net) with the commissioning of the CTA and CTH power stations in 2011.

GDF SUEZ also holds a 63 per cent. stake in the Mejillones LNG terminal that became commercially operational in April 2010 after receiving its first shipment of LNG in February 2010. The new terminal represents an investment of US$500 million and has a nominal regasification capacity of 5.5 million m^3 per day of natural gas, which is sufficient to generate up to 1,100MW of electricity in the SING. This terminal will fuel approximately 20 per cent. of the total power generation needs of the SING which predominantly serves industrial customers. The facility incorporates a 700 metre jetty with a floating storage unit and a further berthing site for supply vessels. In November 2010, the Mejillones LNG terminal launched the construction of an onshore LNG storage tank. Through this investment GDF SUEZ has consolidated its position in Chile and has increased its ownership interest in Mejillones LNG from 50 per cent. to 63 per cent. The storage tank, which is expected to be completed by 2013, will have a capacity of 175,000m^3.

GSELA entered Chile's central power grid (the "**SIC**") in December 2009 and was awarded two PPA contracts in February and July 2009 respectively.

Currently, GSELA's two main projects in the SIC comprise:

- Monte Redondo, a 38MW wind power project, which became fully operational in December 2009. The wind farm will be expanded to 48MW by the first quarter of 2011; and
- Laja 1 Hydropower Plant, a 36.8MW "run-of-the-river" plant, currently under construction. It is expected to become fully operational in the second quarter of 2012.

Panama

Currently, GDF SUEZ controls and operates 334MW (gross) or 211MW (net) installed capacity and is the second largest independent electric power producer in the Panama electricity market with about 22 per cent. of market share in terms of installed capacity.

GDF SUEZ holds the controlling 51 per cent. interest in a 251MW Bahias Las Minas thermal generating complex, which it acquired in 2007 from the Ashmore Group. GDF SUEZ also controls and operates the I.D.B Cativa 83MW thermal plant. GSELA also acquired two concessions (Gualaca and Lorena y Prudencia) for the construction of three hydro-electric power plants, with an expected total of 115MW capacity. Construction of these three hydro-electric power plants is currently in progress and it is expected that they will become operational in late 2010.

Costa Rica

In 2008, GDF SUEZ entered the Costa Rica market and now controls and operates the 49.5MW (gross) or 30MW (net) Guanacaste wind farm which became operational in 2009.

Argentina

In Argentina GDF SUEZ holds an indirect 64 per cent. interest in Litoral Gas SA. Litoral Gas SA is a gas distribution company which had approximately 600,000 customers and a market share of 12 per cent. in 2009 according to the regulatory authority, ENARGAS. In addition, GDF SUEZ holds a 46.7 per cent. interest in ECS (Energy Consulting Services), an electricity and gas retail and consultancy company.

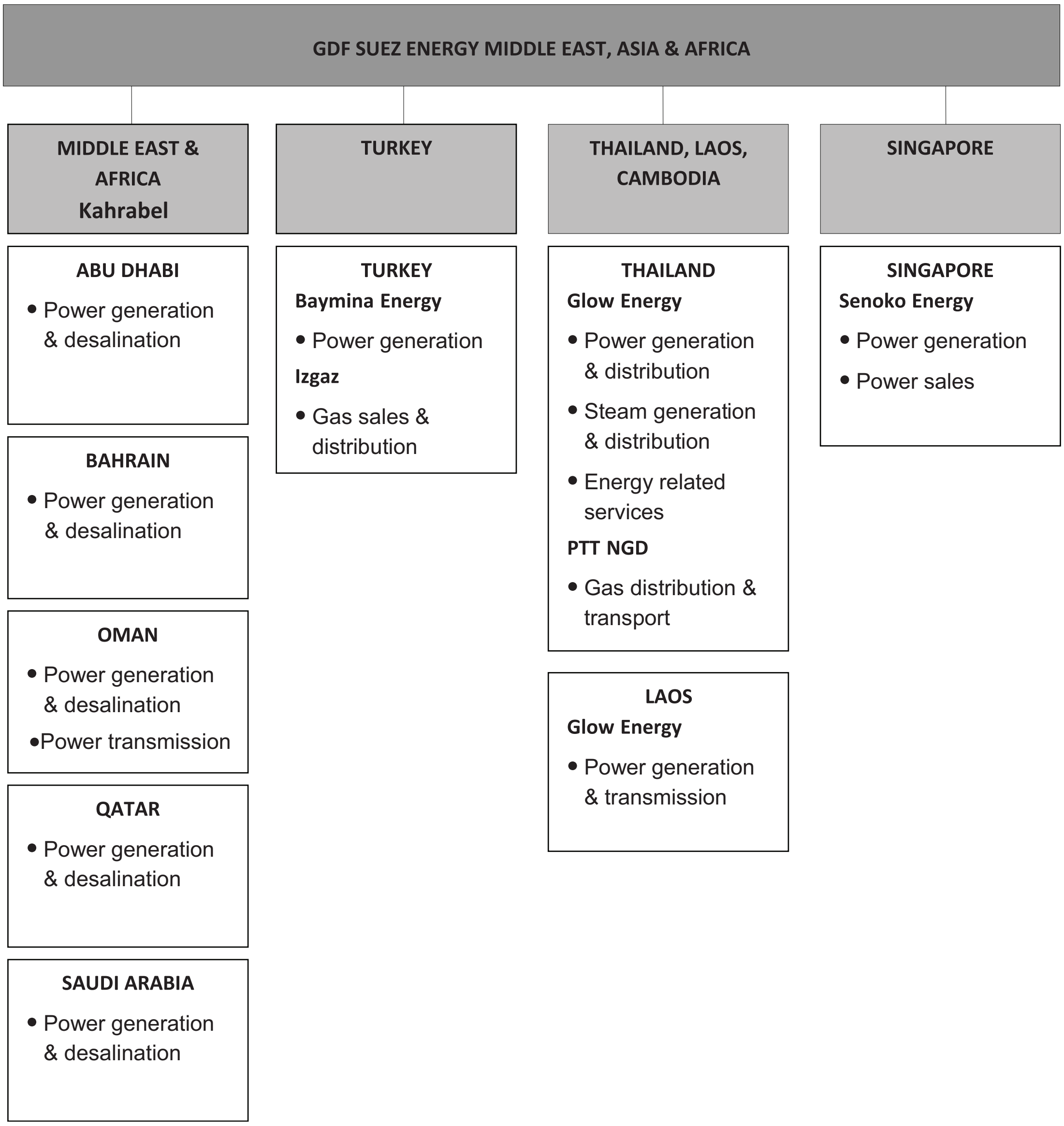
Bolivia

On 1 May 2010, the Bolivian state nationalised a number of electricity companies in Bolivia. Among these companies was Empresa Electrica Corani S.A., a 147MW power station that became an asset of the GDF SUEZ Energy International Division in October 2008 through the acquisition of Econergy. Prior to the nationalisation, GDF SUEZ held a 50 per cent. interest in Empresa Electrica Corani S.A. and it was the GDF SUEZ Group's only asset in Bolivia.

GDF SUEZ Energy Middle East, Asia & Africa ("GSEMEAA")

GDF SUEZ Energy Asia ("**GSEA**") manages all of the Group's electricity, gas, and sea water desalination activities in Asia, Africa and the Middle East.

The business area GDF SUEZ Energy Middle East, Asia and Africa ("**GSEMEAA**") is organised along geographic lines into four business entities: (1) Middle East & Africa, (2) Turkey, (3) Thailand and Laos and (4) Singapore. The diagram below sets out the structure of GSEMEAA.



The GSEMEAA business area's primary objective is to provide substantial, robust and profitable growth to the GDF SUEZ Group by being a leading developer and operator in a selection of the fastest growing energy markets in its region. In order to do this, GSEMEAA's strategy focuses on maintaining its strong positions in certain markets (Thailand, Singapore and the Gulf Cooperation Council countries) while developing in other markets that are characterised by relatively low reserve margins, stable regulatory environment and attractive investment and growth opportunities.

The Middle East

In the Gulf Cooperation Council countries, GSEMEAA acts mainly as an asset developer, selling the energy it produces directly to public distribution companies under long-term PPAs. GSEMEAA is one of the most experienced (in terms of amount of installed capacity and time spent operating in the region) developers and operators of IWPPs in the region with a total power generation capacity (including capacity in operation and under construction) of 16,861MW (gross) or 4,915MW (net).

In the first half of 2010, in conjunction with consortium partners, GSEMEAA won the right to "build-own-operate" two new IPP projects adding a gross capacity of 3,218MW (gross) or 1,030MW (net) to its Middle East portfolio. The first of these projects, a 1,730MW power plant in Saudi Arabia named Riyadh IPP, was awarded to GSEMEAA early in 2010. The second project, two power stations in Oman: Barka 3 and Sohar 2, each of which has 744MW capacity, was awarded to GSEMEAA in May 2010. The electricity produced from the projects in both Oman and Saudi Arabia will be sold through long term PPAs.

In 2009, GDF SUEZ reorganised its Middle East activities under the single operating entity Kahrabel, which has responsibility for managing all development, construction and operational energy activities of GDF SUEZ in the region.

Due to the number and size of its investments in the region, GDF SUEZ was ranked by MEED as the leading independent power producer in the Gulf Cooperation Council countries in 2008.

Turkey

GDF SUEZ has a presence in the Turkish power generation sector through its 95 per cent. stake in the Baymina Enerji power generation project. This 763MW combined cycle gas turbine power station is located approximately 40 km from Ankara and the power it generates is sold to the national distribution company in Turkey under a long-term PPA.

In January 2009, GDF SUEZ completed the acquisition of Izgaz, Turkey's third leading natural gas distributor according to EMRA (the energy market regulatory authority in Turkey). Izgaz distributes and markets natural gas to approximately 167,000 residential, service and industrial customers in the Kocaeli region, 80 km east of Istanbul, with average annual natural gas sales of 5TWh/year.

Thailand and Laos

The Glow group, in which GDF SUEZ holds a 69.1 per cent. interest, is listed in the Stock Exchange of Thailand. The Glow group is a major participant in the Thai energy market with a combined installed capacity in Thailand and Laos of 1,860MW (gross) or 1,774MW (net) of electricity and 967 tons per hour of steam. The Glow group generates and supplies electricity to the Electricity Generating Authority of Thailand ("**EGAT**") under Thailand's SPP (Small Power Producer) and IPP (Independent Power Producer) programmes, in addition to supplying electricity, steam, industrial water and services to large industrial customers principally located in the Map Ta Phut area in Thailand and nearby. The Glow group has an additional 1,087MW (gross) or 856MW (net) of power generation capacity currently under construction. The GDF SUEZ Energy International Division is the third largest independent electric power producer in Thailand in terms of installed capacity.

GDF SUEZ also owns a 40 per cent. stake in PTTNGD Co. Ltd., a distributor of natural gas to industrial customers in the Bangkok region. The company is 58 per cent. owned by PTT PCL, the primary oil, gas and petrochemical company in Thailand.

Singapore

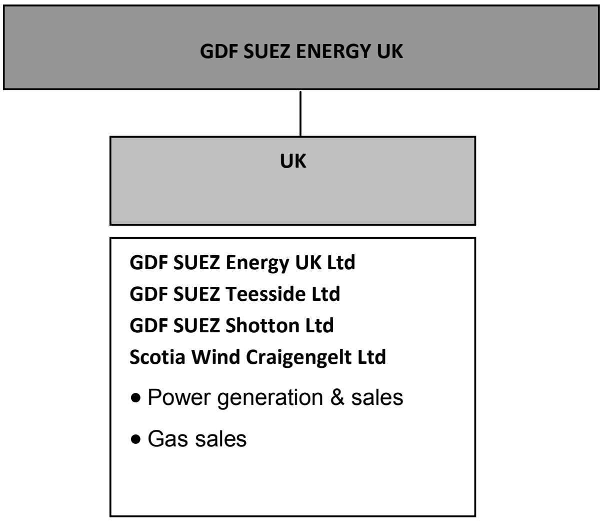
In 2008, GDF SUEZ, as a member of a consortium alongside Marubeni, Kansai, Kyushu and Japan Bank for International Cooperation ("**JBIC**"), acquired Senoko Power from Temasek. Senoko Power is Singapore's largest power generator with about 30 per cent. of the market share in power generation in 2007.

GDF SUEZ and Marubeni each hold 30 per cent. of the capital of Senoko Power. Kansai and Kyushu each hold 15 per cent. and JBIC holds the remaining 10 per cent. Senoko Power owns and operates a unique portfolio of power generation units offering a combined capacity of 3,300MW.

In addition, Senoko Energy Supply, a subsidiary of Senoko Power, is responsible for selling electricity to eligible customers.

United Kingdom

The diagram below sets out the structure of GDF SUEZ Energy UK.



United Kingdom

GDF SUEZ Energy UK produces electricity and sells energy to the industrial and commercial markets. The main power plants are Teesside, a 1,875MW facility, currently the most powerful combined cycle power plant in Europe, Shotton, a 210MW combined cycle/cogeneration facility and a 20MW wind farm located in central Scotland, which became operational in the first half of 2010.

Competition

The production and marketing of electricity and gas marketing are business sectors that are broadly open to competition in Europe and the United States. In contrast, activities that constitute natural monopolies, such as the transmission and distribution of electricity and, to a large extent, of gas are tightly controlled.

Elsewhere in the world, with only a few exceptions, markets are less open to competition and international energy groups operate in more heavily regulated environments, usually under long-term contracts issued on a tender basis.

Environmental matters

The management of environmental challenges, such as climate change, limited water and energy resources and protection of the natural environment, is central to the GDF SUEZ Group's activities, because energy activities may inherently have a negative impact on natural habitats and resources. This impact is measured, controlled and reduced to a minimum as part of a process of continuous improvement.

The GDF SUEZ Group takes specific measures to reduce the direct impact on the environment of electricity generation, energy services and gas-related activities. The GDF SUEZ Group has implemented a sustainable development programme and one of its objectives is to decrease the financial risks associated with environmental management.

The GDF SUEZ Group ensures that all installed or managed facilities and services continually comply with the ongoing requirements of environmental laws and it anticipates new regulations in order to better meet the expectations of its customers and all stakeholders.

Through a network of environmental co-ordinators, the GDF SUEZ Group ensures its subsidiaries implement environmental policies based on their operations, local economic conditions and the expectations of their customers, both local authorities and industries.

Risk management is carried out through the many certified environmental management programmes implemented within the GDF SUEZ Group or via risk management plans implemented for this purpose. Employee training, innovation and research programmes all contribute to the operational control of these risks.

Employees

For the years ended 31 December 2009, 2008 and 2007 the GDF SUEZ Energy International Division had approximately 7,800, 6,900 and 5,700 employees respectively, including employees of joint ventures and subsidiary companies. The geographical breakdown of these employees is outlined below:

	31 December 2009	*31 December 2008*	*31 December 2007*
Latin America	3,239	2,855	2,545
North America	2,012	2,009	1,678
Middle East, Asia and Turkey	2,149	1,689	1,242
UK	397	395	234
Total	**7,797**	**6,948**	**5,699**
BEEI Headquarters (Brussels)	156	154	145

Intellectual Property

The GDF SUEZ Energy International Division does not have any material intellectual property.

Research and Development

The GDF SUEZ Energy International Division benefits fully from GDF SUEZ know-how and research policies. These rely on an international network of research centres and laboratories throughout the GDF SUEZ Group and on partnerships with recognised international bodies. The work of more than 1,200 researchers is focused on four key areas: security of supply, improving technological and economic performance, reducing environmental impact and fighting climate change.

GDF SUEZ runs projects focused on technologies of the future in the context of its group-wide research programmes and responds to requests from its business lines to improve a particular process or adapt a technique through targeted projects.

Eight major programmes have been implemented to prepare for future technologies: renewable energy, CO_2 capture and storage (CCS), desalination and associated energy, energy storage, offshore LNG, sustainable cities, smart metering and smart grids.

In 2009, GDF SUEZ's expenditure on research and development of technology amounted to €218 million with approximately 3,500 patents in its portfolio (including within SUEZ Environment).

The provision of Research and Development services by the Wider GDF SUEZ Group to the Enlarged International Power Group following Closing will be governed by the Electrabel Services Agreement and the Expatriates Services Agreement, as further described in paragraphs 16.1(c) and 16.1(e) of Part 12 (*Additional Information*) of this Prospectus.

Insurance

In line with the GDF SUEZ Group's insurance policy, the BEEI insurance department, together with expert representatives in Brussels, Houston, Buenos Aires, Dubai and Bangkok, is responsible for developing, implementing and managing global and specific insurance programmes.

The GDF SUEZ strategy with respect to insurance is:

- to continue to transfer significant risks to the insurance market as often as possible; and
- the rationalisation of the financing of low or moderate-level risks is based largely on self-insurance plans, either directly through deductibles and retentions or indirectly through the use of a consolidated captive reinsurance vehicle.

The insurance charges (including all taxes) for the financial year ending 31 December 2009 within the BEEI for the primary risk transfer programmes in the five business areas was approximately €170 million.

Principal insurance programs

Civil Liability

A D&O (Directors and Officers) Liability Policy is in place covering the representatives of GDF SUEZ, its subsidiaries and the GDF SUEZ Group representatives within its equity holdings.

A general civil liability policy (including for accidental environmental damage) has been taken out for all the GDF SUEZ Group's business lines with a limit of €800 million in total. This limit of €800 million includes insurance cover taken out by individual business lines (which usually have a limit of US$50 million or equivalent Euro amount per policy).

Property Damage

The BEEI has property insurance cover for the facilities that they own, lease or manage on behalf of third parties. However, pipeline transmission and distribution networks often have restricted insurance coverage.

The key policies provide insurance cover based on new replacement value or on contractual limits per loss event. In the latter case, the limits are set on the basis of (i) major events in accordance with insurance market rules or (ii) financing requirements.

Insurance covering business interruption, and resulting increases to operating costs, is subscribed on a case by case basis, based on risk analysis and following consideration of existing assistance plans.

Risk Management Framework

The GDF SUEZ Group adopted a global risk management policy consistent with international industry standards including ISO 31000, the Federation of European Risk Management Associations, COSO II, and the Combined Code and the Turnbull Report. This Policy defines risk as "any uncertain event liable to have positive or negative impacts on the continuation of the company, its reputation or affecting its strategic, financial or operational objectives." Based on this definition, GDF SUEZ encourages reasonable risk-taking that complies with laws and regulations, is acceptable to public opinion and is economically sustainable.

Within the GDF SUEZ Group, BEEI complies fully with the GDF SUEZ Group's risk management policy. BEEI has appointed the Executive Vice President Strategy to serve as Chief Risk Officer and coordinate, via its Risk Management team, the group-wide Enterprise Risk Management procedure. Each of the GDF SUEZ Group's business units, including the business units within the scope of the GDF SUEZ Energy International Division, has designated Risk Officers supporting the entity's managers in the process of identifying and evaluating risks and assessing the resources used to mitigate them.

At least once a year, a risk review is carried out at the level of each business unit as well as at the BEEI level. The BEEI Executive Committee reviews the major risks identified within each business unit together with the major risks identified at the BEEI level and these are then reported to GDF SUEZ at a group level in accordance with internal governance rules.

The Internal Audit Department of the GDF SUEZ Group proposes an audit programme on the basis of the results of the risk review, in order to identify the most relevant audit issues and assess risk coverage. The results of audits, in turn, are used to update the risk review and maps. Similarly, the internal control program incorporates the findings of the Enterprise Risk Management procedure and assists, in return, in controlling risks.

The GDF SUEZ Risk Management framework and policies apply to all GDF SUEZ business lines, and will apply to the Enlarged International Power Group after completion.

SECTION B THE GDF SUEZ ENERGY INTERNATIONAL DIVISION'S ASSETS BY REGION

The following tables set out the GDF SUEZ Energy International Division's operating assets and assets under construction in each of North America, Latin America, the Middle East, Asia, Turkey and the UK as at 30 June 2010.

North America

Power generation assets in operation[6]

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*
Ventus – Norway	Canada	Wind	100%	9	9	Contracted
West Windsor	Canada	Natural Gas	96%	112	108	Contracted
Ventus – West Cape	Canada	Wind	100%	90	90	Contracted
Ventus – West Cape – Summerside	Canada	Wind	100%	9	9	Merchant
Ventus – Caribou	Canada	Wind	100%	99	99	Contracted
Dupont (Panuco)	Mexico	Natural Gas	99.99%	24	24	Contracted
Monterrey	Mexico	Natural Gas	100%	245	245	Contracted
Primex (Tampico)	Mexico	Natural Gas	100%	9	9	Contracted
Boeing	USA	Natural Gas	100%	0(1)	0(1)	N/A
Ashtabula	USA	Natural Gas	51%	25	13	Contracted
Astoria Energy Phase I	USA	Natural Gas	58.54%	575	337	Mostly Contracted
Bellingham	USA	Natural Gas	50%	304	152	Contracted
Bethlehem	USA	Waste Wood	100%	16	16	Merchant
Bucksport	USA	Natural Gas	22%	157	35	Contracted
Choctaw	USA	Natural Gas	100%	746	746	Merchant
College Park	USA	Natural Gas	100%	27	27	Contracted
Coors	USA	Coal	100%	40	40	Contracted
Bantam	USA	Hydro	100%	0.3	0.3	Merchant
Bulls Bridge	USA	Hydro	100%	8	8	Merchant
Falls Village	USA	Hydro	100%	10	10	Merchant
Robertsville	USA	Hydro	100%	1	1	Merchant
Rocky River	USA	Hydro	100%	29	29	Merchant
Scotland	USA	Hydro	100%	2	2	Merchant
Shepaug	USA	Hydro	100%	43	43	Merchant
Stevenson	USA	Hydro	100%	29	29	Merchant
Taftville	USA	Hydro	100%	2	2	Merchant
Tunnel Unit 10	USA	Hydro	100%	2	2	Merchant
Tunnel ICU	USA	Kerosene	100%	22	22	Merchant
Ennis	USA	Natural Gas	100%	343	343	Merchant
Fitchburg	USA	Waste Wood	100%	17	17	Mostly Contracted
Millennium	USA	Natural Gas	100%	10	10	Contracted
Hopewell	USA	Natural Gas	100%	365	365	Contracted
Hot Spring	USA	Natural Gas	100%	746	746	Merchant
General Motors – Delta	USA	Natural Gas	49%	0(1)	0(1)	N/A
General Motors – Lansing	USA	Natural Gas	49%	2	1	Contracted
Lincoln	USA	Waste Wood	100%	17	17	Contracted
McBain	USA	Waste Wood	100%	17	17	Contracted
Metro Waste	USA	Landfill Gas	100%	5	5	Contracted
Mount Tom	USA	Coal	100%	146	146	Merchant
Nassau	USA	Natural Gas	100%	52	52	Contracted
Cabot	USA	Hydro	100%	62	62	Merchant
Northfield Mountain	USA	Hydro	100%	1,080	1,080	Merchant
Turner Falls	USA	Hydro	100%	6	6	Merchant
Northeastern	USA	Coal	100%	51	51	Contracted
Northumberland	USA	Waste Wood	100%	16	16	Merchant
PEPCO Facility/Washington Convention Center	USA	Fuel Oil No.2	50%	4	2	Contracted
Red Hills	USA	Coal	100%	440	440	Contracted
Rochester – Kodak	USA	Coal	51%	196	100	Contracted
Ryegate	USA	Waste Wood	67%	20	13	Contracted
Sayreville	USA	Natural gas	50%	287	144	Contracted
Shreveport General Motors	USA	Natural Gas	39%	0(1)	0(1)	N/A
Silver Grove – La Farge	USA	Natural gas	51%	5	3	Contracted
Syracuse	USA	Coal	100%	65	65	Contracted
Tamworth	USA	Waste Wood	100%	23	23	Merchant
Tuscola Equistar	USA	Coal	51%	20	10	Contracted
Waterbury	USA	Natural Gas	98%	96	94	Merchant
Wharton County Generation	USA	Natural Gas	100%	67	67	Contracted
Winooski	USA	Hydro	50%	7	4	Contracted
Wise County	USA	Natural Gas	100%	746	746	Merchant

(1) There is no gross or net electrical capacity in MW attributable to this asset because it is either a steam or compressed air generating asset.

6 In addition to the assets set out in the table below, the GDF SUEZ Energy International Division holds small, non-controlling interests in 13 power assets in the US. It also holds a 51 per cent. ownership interest in a leasing company in the US.

Power generation assets under construction[7]

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*	*Commercial Operations Date ("COD")*
Astoria Energy Phase 2	USA	Natural Gas	30%	575	173	Contracted	2011

(1) Ownership interest given is at the GDF SUEZ level.

Non-power generation activities[8]

Assets	*Country*	*Activity*	*Net Ownership*	*Gross Capacity (bcf, MMcfd$^{(2)}$ or KM as appropriate)*
Everett LNG Terminal	USA	Regasification	100%	1,035 MMcfd (peak capacity)
715 MMcfd (nominal capacity				
Neptune LNG Terminal	USA	Regasification	100%	715 MMcfd (nominal capacity)
400 MMcfd (nominal capacity)				
Intragaz – Pointe du Lac Storage Site & Saint-Flavien Site (Quebec)	Canada	Gas Storage	56.23%	Working capacity: 5 Bcf Max. withdrawal rate: 110.2 MMcfd Max. injection rate: 116.6 MMcfd
Guadalajara LDC	Mexico	Gas transportation/ distribution	100%	987 KM network
Queretaro LDC	Mexico	Gas transportation/ distribution	100%	1,522 KM network
Tampico LDC	Mexico	Gas transportation/ distribution	100%	787 KM network
Mexico City LDC	Mexico	Gas transportation/ distribution	100%	1,971 KM network
Puebla LDC	Mexico	Gas transportation/ distribution	100%	1,097 KM network
Tamauligas LDC	Mexico	Gas transportation/ distribution	100%	817 KM network
Mayakan Pipeline	Mexico	Gas transportation/ distribution	67.5%	702 KM network
Bajio Pipeline	Mexico	Gas transportation/ distribution	100%	204 KM network

(2) Millions of cubic feet per day of gas.

7 In addition to the Astoria Energy – Phase 2 project, the GDF SUEZ Energy International Division holds a small, non-controlling interest in a wind project currently under construction in Canada.

8 In addition to the assets set out in the table below, the GDF SUEZ Energy International Division holds ownership interests in 35 pipeline / oil storage assets in Canada of 1.58 per cent. in each asset. It also holds small, non-controlling interests in 7 gas / electricity distribution or transportation assets and one telecommunication asset in North America.

Latin America

Power generation assets in operation

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*
Pedra do Sal	Brazil	Wind	68.7%	18	12	Contracted
Beberibe	Brazil	Wind	68.7%	26	18	Contracted
Areia Branca	Brazil	Hydro	68.7%	20	14	Contracted
José Gelazio da Rocha	Brazil	Hydro	68.7%	27	19	Contracted
Rondonópolis	Brazil	Hydro	68.7%	24	16	Contracted
Cana Brava	Brazil	Hydro	68.7%	450	309	Contracted
Itá	Brazil	Hydro	47%	1,450	682	Contracted
Machadinho	Brazil	Hydro	24.3%	1,140	277	Contracted
Passo Fundo	Brazil	Hydro	68.7%	226	155	Contracted
Ponte de Pedra	Brazil	Hydro	68.7%	176	121	Contracted
Salto Osório	Brazil	Hydro	68.7%	1,078	741	Contracted
Salto Santiago	Brazil	Hydro	68.7%	1,420	976	Contracted
São Salvador	Brazil	Hydro	68.7%	243	167	Contracted
Lages	Brazil	Biomass	68.7%	26	18	Contracted
Jorge Lacerda	Brazil	Coal	68.7%	773	531	Contracted
Alegrete	Brazil	Heavy Fuel Oil	68.7%	61	42	Contracted
Charqueadas	Brazil	Coal	68.7%	60	41	Contracted
Andrade	Brazil	Sugar Cane	44%	33	15	Contracted
William Arjona	Brazil	Natural Gas	68.7%	186	128	Contracted
Monte Redondo	Chile	Wind	100%	38	38	Contracted
Mantos Blancos	Chile	Gas Oil	52.4%	29	15	Contracted
Mejillones I and II	Chile	Coal	52.4%	314	164	Contracted
Mejillones III	Chile	Natural Gas	52.4%	243	127	Contracted
Arica	Chile	Diesel/F06	52.4%	14	7	Contracted
Iquique	Chile	Diesel/F06	52.4%	43	23	Contracted
Chapiquiña Plant units 12-15	Chile	Hydro	52.4%	10	5	Contracted
Tocopilla	Chile	Coal	52.4%	395	207	Contracted
Tocopilla, unit 16	Chile	Natural Gas	52.4%	388	203	Contracted
Tocopilla HFO	Chile	Diesel/F06	52.4%	155	81	Contracted
Tamaya	Chile	Diesel/F06	52.4%	100	52	Contracted
Guanacaste	Costa Rica	Wind	61.1%	50	30	Contracted
Bahia Las Minas (composed of 2 distinct assets)	Panama	A – Diesel	51%	141	72	Contracted
		B – Coal	51%	110	56	Contracted
Cativa	Panama	Heavy Fuel Oil	100%	83	83	Contracted
Ilo 1	Peru	Residual 500/ Diesel 2	61.73%	248	153	Contracted
Ilo 21	Peru	Coal	61.73%	124	77	Contracted
Yuncán	Peru	Hydro	61.73%	130	80	Contracted
Chilca Uno	Peru	Natural Gas	61.73%	541	334	Contracted

(1) Ownership interest given is at the GDF SUEZ level.

Power generation assets under construction

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*	*Commercial Operations Date ("COD")*
Estreito	Brazil	Hydro	27.5%	1,087	299	Contracted	2012
Jirau	Brazil	Hydro	50.1%	3,450	1,728	Contracted	2013
Andina ("CTA")	Chile	Coal	52.4%	150	79	Contracted	2011
Hornitos ("CTH")	Chile	Coal	31.4%	150	47	Contracted	2011
Laja I	Chile	Hydro	100%	37	37	Contracted	2012
Expansion of Monte Redondo	Chile	Wind	100%	10	10	Contracted	2011
Dos Mares (2 concessions: Gualaca on one side, Lorena y Prudencia on the other side)	Panama	Hydro	100%	115	115	Contracted	2010
ChilcaUno	Peru	Natural Gas	61.73%	266	164	Contracted	2012
Quitaracsa 1	Peru	Hydro	61.73%	112	69	Contracted	2014

(1) Ownership interest given is at the GDF SUEZ level.

Non-power generation activities[9]

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MMcf/d or KM as appropriate)*
Litoral Gas	Argentina	Gas distribution in the Santa Fé Province and the north of Buenos Aires Province	64%	11,125 KM network
Mejillones LNG	Chile	LNG importation and regasification	50%	80 MMcf/d (contracted capacity) 200 MMcf/d (nominal capacity) 300 MMcf/d (peak capacity)
Edelnor	Chile	Electricity transmission	52.4%	1,020 KM network
Electroandina	Chile	Electricity transmission	52.4%	1,060 KM network
Gasoducto Norandino	Chile	Gas transportation	52.4%	1,078 KM network
Distrinor	Chile	Gas distribution	52.4%	74 KM network
Enersur	Peru	Electricity transmission	61.73%	511 KM network

(1) Ownership interest given is at the GDF SUEZ level.

Middle East, Asia and Turkey

Power generation assets in operation

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*
Al Ezzel	Bahrain	Natural Gas	45%	954	429	Contracted
Al Hidd (Phase 1 – 2)	Bahrain	Natural Gas	30%	954	286	Contracted
Zhenjiang Hongshun	China	Coal	32.5%	24	6	Merchant
Houay Ho	Laos	Hydro	46.5%	153	71	Contracted
Al-Rusail	Oman	Natural Gas	47.5%	665	316	Contracted
Barka 2	Oman	Natural Gas	47.5%	678	322	Contracted
Sohar	Oman	Natural Gas	45%	585	263	Contracted
Marafiq	Saudi Arabia	Natural Gas	20%	2,012(1)	402	Contracted
Senoko	Singapore	Fuel Oil, Natural Gas	30%	2,550(2)	765	Merchant
Glow (Phase 1)	Thailand	Natural Gas	69%	0(3)	0(3)	N/A
Glow (Phase 2)	Thailand	Natural Gas	69%	281	194	Contracted
Glow (Phase 4)	Thailand	Natural Gas	69%	77	53	Contracted
Glow SPP1	Thailand	Natural Gas	69%	124	86	Contracted
Glow SPP2	Thailand	Natural Gas	69%	213	147	Contracted
Glow SPP3	Thailand	Coal	69%	300	207	Contracted
Glow IPP	Thailand	Natural Gas	66%	713	471	Contracted
Baymina	Turkey	Natural Gas	95%	763	725	Contracted
Taweelah A1	United Arab Emirates	Natural Gas	20%	1,592	318	Contracted

(1) Marafiq 2 and 3 have been operational since March 2010.
(2) Three units (of 250MW each) closed for re-powering in 2010.
(3) There is no gross or net electrical capacity in MW attributable to this asset because it is a steam generating asset.

9 In addition to the assets set out in the table below, the GDF SUEZ Energy International Division holds a very small, non-controlling ownership interest in a gas transportation asset in Peru.

Power generation assets under construction

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*	*Commercial Operations Date ("COD")*
Al Dur	Bahrain	Natural Gas	45%	1,234	555	Contracted	2010
Ras Laffan C	Qatar	Natural Gas	20%	2,730	546	Contracted	2011
Marafiq	Saudi Arabia	Natural Gas	20%	729[(1)]	146	Contracted	2010
Senoko	Singapore	Natural Gas	30%	860	258	Merchant	2012
Glow – CFB 3	Thailand	Coal	69.1%	85	59	Contracted	2010
Glow – Phase 5	Thailand	Natural Gas	69.1%	342	236	Contracted	2011
Gheco One	Thailand	Coal	45%	660	297	Contracted	2011
Shuweihat S2	United Arab Emirates	Natural Gas	20%	1,510	302	Contracted	2011
Barka 3	Oman	Natural Gas	46%	744	342	Contracted	2013
Sohar 2	Oman	Natural Gas	46%	744	342	Contracted	2013
Riyadh PP11	Saudi Arabia	Natural Gas	20%	1,730	346	Contracted	2013

(1) Marafiq 2 and 3 have been operational since March 2010.

Non-power generation activities

Assets	*Country*	*Activity*	*Net Ownership*	*Network Length*
PTTNGD	Thailand	Gas transportation / distribution	40%	128 KM network
Izgaz	Turkey	Gas transportation / distribution	90%	2,270 KM network

(1) Ownership interest given is at the GDF SUEZ level.

United Kingdom

Power generation assets in operation

Assets	*Country*	*Fuel Type*	*Net Ownership*	*Gross Capacity (MW)*	*Net Capacity (MW)*	*Contractual Position*
Teesside	UK	Natural Gas	100%	1,875	1875	Merchant
Scotia	UK	Wind	100%	20	20	Merchant
Shotton	UK	Natural Gas	100%	210	210	Merchant

(1) Ownership interest given is at the GDF SUEZ level.

PART 4: INDUSTRY OVERVIEW

North America

The Enlarged International Power Group's Main Markets in North America

The United States power market currently comprises a number of different regional markets that are based upon, among other factors, transmission interconnection. The Enlarged International Power Group's Power Generation Plants in the United States are located in the following main regional electricity markets:

- the regional market of the Electric Reliability Council of Texas ("**ERCOT**");
- the regional market of New England ("**ISO New England**");
- the markets of mid-Atlantic and midwestern states, Pennsylvania, Illinois, Ohio and West Virginia, which are part of the PJM regional market ("**PJM**") and the Midwest-ISO regional markets ("**MISO**");
- the regional market of New York ("**NYISO**"); and
- the Western Electricity Coordinating Council.

ISO New England, Midwest-ISO, and PJM are regional transmission organisations ("**RTOs**") that are responsible for moving electricity over large interstate areas and coordinate, control and monitor large electricity transmission grids covering a large geographic area. NYISO is an independent system operator ("**ISO**"), i.e. an organisation formed at the direction or recommendation of the Federal Energy Regulatory Commission ("**FERC**") to coordinate, control and monitor the operation of the electrical power system, usually within a single U.S. state, but sometimes encompassing multiple states. ERCOT operates similarly to an ISO but is not subject to FERC oversight. The primary difference between an ISO and an RTO is that generally an RTO such as PJM coordinates, controls and monitors the operation of the electric power transmission system over a wider area that crosses state borders.

ERCOT

The ERCOT market is a merchant market and represents approximately 85 per cent. of electricity consumption in Texas. At midnight on 30 November 2010, ERCOT transitioned from a zonal market, where the ISO manages transmission congestion broadly over four zones delineated by commercially significant constraints, to a nodal market. In the nodal market the ISO centrally manages the grid using offers by individual resources at over 4,000 "nodes" across the grid. The Texas Nodal market design is expected to improve dispatch efficiencies, directly assign congestion costs through locational marginal pricing (i.e., the calculation of electricity prices at numerous pricing points, or nodes, within the ISO's electricity grid, to set wholesale prices) ("**LMP**") at each node, and, through improved price signals, to encourage additional generation and transmission investment where it is most needed. ERCOT operates a centralised, financially settled Day-Ahead Market ("**DAM**") to arrange for the next day's energy and ancillary services and to provide both price certainty and discovery for the next day. The DAM also presents an opportunity for market participants to optimise around their bilateral contracts. Following the DAM, ERCOT will procure any additional capacity necessary to serve the forecasted load through a Reliability Unit Commitment ("**RUC**"). In the Real Time market, ERCOT will run a security-constrained economic dispatch ("**SCED**") every five minutes to determine the most efficient dispatch of individual resources at each node. Generation resources will be settled based upon the LMP of the node where each resource is connected to the grid.

Total installed generation capacity in the ERCOT market equals approximately 75,600MW. From 1999 through September 2009, over 41,000MW of mostly natural gas fuelled and wind generation capacity has been developed in the ERCOT market. Natural gas fuelled generation is the predominant electricity capacity resource in the ERCOT market and accounted for approximately 42 per cent. of the electricity produced in the ERCOT market in 2009. Because of the significant natural gas fuelled capacity and the ability of such facilities to more readily increase or decrease production when compared to baseload generation, marginal demand for electricity is usually met by natural gas fuelled facilities. As a result, wholesale electricity prices in ERCOT are highly correlated with natural gas prices.

The top ten power generation companies hold 58,000MW or approximately 77 per cent. of total power generation capacity (based on International Power Group estimates). All but three of the top ten power generation companies in the ERCOT market are competitive IPPs. International Power is the sixth largest power generation owner in the ERCOT market.

ERCOT currently has a target reserve margin level of 12.5 per cent. The reserve margin is projected by ERCOT to be 14.7 per cent. (base case) in 2010. Reserve margin is the difference between system generation capability and anticipated peak load.

ISO New England

The ISO New England has operational control of bulk power system and wholesale electricity markets in the New England states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Installed generation capacity in the ISO-New England market totals approximately 29,700MW. The ISO New England market has been implemented as a nodal pool market where the locational power prices reflect the transmission marginal losses and constraints. Members of the ISO New England market can contract bilaterally or clear their trading positions through the ISO New England centralised energy market.

The top ten power generation companies hold approximately 19,300MW or approximately 65 per cent. of total capacity in the market (based on International Power Group estimates). The top three power generation companies hold approximately 31 per cent. of total power generation capacity. The Company is the eighth largest power generation company in the ISO New England market and competes with the other top ten owners, all of which are IPPs.

ISO New England operates a forward capacity market from which the Enlarged International Power Group's Power Generation Plants receive capacity payments. The capacity market is intended to provide a mechanism for ISO New England to meet the region's need for generation capacity by providing a long term pricing signal for generation resources. The costs of the capacity market are passed on to the load serving entities. Participants in the market can either transact capacity bilaterally or through an auction process for capacity up to three years in advance of delivery.

International Power projects the reserve margin for ISO New England to be 22 per cent. in 2010 (13 per cent. excluding demand side management).

PJM

PJM is an RTO which includes all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM operates a wholesale spot energy market and determines the market clearing price for each hour based on bids submitted by participating generators indicating the minimum prices at which a bidder is willing to dispatch energy at various incremental generation levels. Like ISO New England, PJM has also implemented a nodal pool market model for its competitive wholesale electric market. PJM requires all load serving entities to maintain prescribed levels of capacity, including a reserve margin, to ensure system reliability. Installed generation capacity in the PJM market totals approximately 170,000MW. Similar to the ISO New England, PJM operates a forward capacity market called the Reliability Pricing Model ("**RPM**") from which the Enlarged International Power Group's Power Generation Plants may receive capacity payments. PJM's RPM is an auction-based capacity market designed to create long-term price signals, on a zone-by-zone basis, to attract needed generation and transmission investments in the PJM region to ensure reliability of the PJM grid. The costs of the capacity market are passed on to the load-serving entities. Purchasers of capacity in the PJM market can either purchase capacity bilaterally or through the RPM's auction process. RPM is a three-year forward market.

Entering the summer of 2010, PJM projects a reserve margin of 17.8 per cent. as cleared through the 2009/10 capacity auction.

MISO

The Midwest-ISO is an independent, non-profit ISO that supports the delivery of electricity in thirteen U.S. states in the Midwest and the Canadian province of Manitoba. The market has over 100,000MW of installed capacity. The Midwest-ISO is the provider of transmission service requested on the transmission facilities under its tariff. It is responsible for the reliable operation of those transmission facilities and the regional planning of new transmission facilities. The Midwest-ISO administers energy markets utilising locational marginal pricing (namely, the energy price for the next MW may vary throughout the Midwest-ISO market based on transmission congestion and energy losses) as the methodology for relieving congestion on the transmission facilities under its functional control.

NYISO

The NYISO is the operator of the bulk power system and wholesale electricity markets in the State of New York. The installed capacity in the NYISO totals over 37,000MW. The NYISO manages the scheduling of bilateral transactions between buyers and sellers. Approximately 95 per cent. of energy is scheduled in the day-ahead market, while the remaining 5 per cent. is accounted for in the real-time market. About half of the energy settled in the day-ahead market is scheduled through bilateral contracts. While the cost of energy of a bilateral transaction is negotiated outside the NYISO's marketplace, a bid-based system is used to make transmission service available. The Day-Ahead Market is a forward market using LMP in which hourly LMPs are calculated for the next operating day based on generation offers, demand bids and scheduled bilateral transactions. The Real-Time Market is a spot market in which current LMPs are calculated at five-minute intervals based on actual grid operating conditions. NYISO uses a uniform clearing price auction to provide a common price for all buyers and sellers.

NYISO also operates an organised capacity market from which the Enlarged International Power Group's Power Generation Plants may receive capacity payments. The market is unlike the forward capacity markets found in ISO-New England or PJM. The New York Installed Capacity ("**ICAP**") market is based on the obligation placed on load serving entities ("**LSEs**") to procure ICAP to meet minimum capacity requirements so as to ensure that sufficient resources are available to meet projected load on a long-term basis. The capacity requirements are determined by forecasting each LSE's contribution to its transmission district peak load, plus an additional amount to cover the Installed Reserve Margin. NYISO ICAP auctions are designed to accommodate LSEs and suppliers' efforts to enter into transactions for available capacity. NYISO has three different capacity markets to meet the state-wide reserve margin requirements as well as additional locational reliability requirements in New York City and Long Island. The locational requirements are set to ensure reliability but reflect extra incentive for capacity in the capacity constrained areas. For each summer and winter period, NYISO offers: one 6-month strip auction (with forward capacity for the full 6-month period); six monthly auctions (with forward capacity for each remaining month in a period); and six spot auctions (with prompt month capacity).

Western Electricity Coordinating Council

The Western Electricity Coordinating Council ("**WECC**") is composed of three sub-markets: Northwest, Southwest and the California ISO ("**CAISO**"). Capacity as at 30 September 2010 was estimated to be 159,243MW. The Northwest market is abundant in hydro resources while the Southwest market has nuclear and large coal assets; both markets remain regulated. CAISO manages the energy market with a locational marginal pricing design, the ancillary services market and the financial transmission rights market. GDF SUEZ Energy North America owns and operates a 40MW coal asset in Colorado (in the Southwest market of WECC) under a long-term PPA.

SERC Reliability Corporation

The SERC Reliability Corporation ("**SERC**") is responsible for the reliability, adequacy, and critical infrastructure of the bulk power supply systems in all or portions of 16 central and south-eastern states. The SERC is sub-divided into VACAR (which includes Virginia, North Carolina and South Carolina), Central (which includes Tennessee and parts of Alabama, Georgia, Mississippi and Kentucky), Delta (which includes parts of Mississippi, Louisiana, Missouri, Arkansas and Texas), Southeastern (which includes Georgia, Alabama, parts of Mississippi and Florida) and Gateway (which includes parts of the Central US). The SERC region is mostly composed of investor-owned vertically integrated utilities whose activities include power generation, transmission and distribution. Capacity within the SERC region as at 30 September 2010 was estimated to be 243,939MW. GDF SUEZ Energy North America owns and operates a combined cycle gas turbine facility and a coal plant in the Central region and a combined cycle gas turbine plant in the Delta region. These plants have mid-term bilateral contracts with the utilities and are dispatched in the weekly, daily and real-time markets.

Energy Regulation in North America

The United States

The United States wholesale electricity market is regulated at both a federal level (by the FERC) and at a regional or state level (by ISOs which are themselves regulated by the FERC or at the state level). The FERC is responsible for issuing rules envisaged by, and enforcing the provisions of, the Energy Policy Act 2005, the Federal Power Act 1935 (the "**FPA**"), the Public Utility Regulatory

Policies Act 1978 ("**PURPA**"), the Public Utility Holding Company Act 2005 ("**PUHCA**") and the Natural Gas Act 1938. The United States Congress sets national energy policy and it is the United States federal government which has primary jurisdiction in relation to the wholesale electricity market. In ERCOT, the wholesale market is regulated by the Public Utility Commission of Texas, and its market was deregulated by action of the Texas legislature.

The current regulatory framework in the United States is the result of a series of regulatory developments over recent decades, as well as numerous policies adopted by both the federal government and individual states that encourage competition in wholesale and retail electricity markets. There are two fundamental regulatory initiatives implemented by FERC that have had a direct impact on the Enlarged International Power Group's United States businesses:

- FERC approval of market based rate ("**MBR**") authority beginning in the early 1990s for many sellers of wholesale energy and/or capacity; and
- FERC issuance of Order No. 888 in 1996 mandating the functional separation of generation and transmission operations and requiring transmission service providers open access transmission services on a non-discriminatory basis.

The Company and the GDF SUEZ Energy International Division currently own interests in generation businesses that own generation facilities which are Qualifying Facilities ("**QFs**") under PURPA in the United States. To qualify as a QF, a facility must either be a Small Power Production facility that satisfies certain size and fuel use criteria or a cogeneration facility that satisfies certain operation and efficiency requirements. Under PURPA, in certain circumstances, energy utilities are required to purchase power from such QFs at a price which would reflect the costs to the utility of generating its own capacity. The PURPA mandatory power purchase requirements in some competitive markets have been removed by FERC with respect to new mandatory purchase arrangements (although the Enlarged International Power Group's QF businesses have not been subject to the granting of such relief).

To the extent that the Enlarged International Power Group's Power Generation Plants in the United States are not QFs, all of the Power Generation Plants located outside of ERCOT are designated as Exempt Wholesale Generators ("**EWGs**") and have authority from FERC to sell energy, capacity and/or ancillary services at market-based rates ("**MBR**"), with the exception of certain "inside the fence" industrial facilities. The EWGs with FERC MBR authority outside of ERCOT are subject to regulation by FERC under the FPA. The Enlarged International Power Group's Power Generation Plants in the State of Texas are regulated at a state level except with respect to FERC regulation under PUHCA and FERC's regulation of reliability.

Upon receipt of FERC approval, EWGs may sell power at a MBR either to the wholesale market or to a third party off-taker (for example, an electric cooperative or utility). As a condition to receipt of the FERC approval, an EWG with FERC MBR authority must also provide updates to the FERC every three years evidencing their lack of market power. The FERC may revoke MBR approval even after it has been granted. In addition to the FERC regulatory requirements referred to above, among other requirements, the Power Generation Plants in the United States are also subject to mandatory reliability requirements under FPA Section 215. The Enlarged International Power Group's EWG business is therefore subject to ongoing and monitored FERC regulation. Under the FPA, FERC has $1 million/day penalty authority for violations of numerous FPA provisions.

EWGs are exempt from a number of provisions under PUHCA. To the extent the Power Generating Plants become subject to regulation under PUHCA, they would have additional regulatory burdens. International Power is an exempt holding company with respect to PUHCA because it only owns QFs, EWGs and PGCs which have been deemed by FERC to be non-jurisdictional for PUHCA purposes. With the exception of its minority interest in Green Mountain Power Corporation, GDF SUEZ is a holding company under PUHCA solely with respect to QFs, EWGs or non-jurisdictional entities.

In the United States, the Enlarged International Power Group's assets in New England participate and, following Closing, such assets of the Enlarged International Power Group will participate, in a regional carbon reduction scheme, the Regional Greenhouse Gas Initiative. This programme sets carbon reduction levels for ten state areas in the north-eastern United States and requires credits to be obtained for any carbon emissions.

A more comprehensive, federal carbon legislation programme has yet to be implemented, despite strong momentum during 2009. The Clean Energy and Security Act (also known as the Waxman/

Markey Bill), which proposed the introduction of a cap and trade scheme for CO_2 emissions, was passed by the House of Representatives in June 2010. In August 2010, however, the US Congress abandoned a modified version of the original House of Representatives and Senate bills that would have established a national renewable portfolio standard and incentives to expand the electric grid to accommodate renewable energy projects.

The US Environmental Protection Agency ("**EPA**") has taken steps towards regulating carbon which could bypass Congressional activity. The EPA's 2009 Endangerment Finding for greenhouse gases now allows it to declare CO_2 a pollutant, and therefore to impose carbon emission regulations. The proposal on greenhouse gas regulation released by the EPA in September 2009 would impose best available control technologies on all new or renovated power stations. The extent of the EPA's authority, however, has been subject to question and recent announcements by the EPA have put off any specific action on carbon regulation until 2011. The EPA has also proposed more stringent rules on ozone, oxides of nitrogen (NOx) and oxides of sulphur (SOx), which will be addressed in rulemaking in 2011 and later. International Power was an active participant in the federal carbon legislative process in 2009 and will continue to work with industry groups, including "Generators for Affordable Power" and the "Electric Power Supply Association" in 2010, to shape environmentally responsible legislation.

The Wall Street Transparency and Accountability Act of 2010 was signed into law on 21 July 2010. The US Commodity and Futures Trading Commission ("**CFTC**") is in the process of revising its regulations and it is currently soliciting informal comments from participating stakeholders. GSENA is actively participating in this dialogue. The CFTC issued further proposals for derivative trading regulations on 1 December 2010. However, the precise impact on the Enlarged International Power Group's operations in the United States is not known at this stage and will not be known until the final regulations are published. The CFTC revised regulations are expected to become effective by the end of July 2011.

Retail electricity and natural gas sales to customers are regulated in the United States by each of the 50 states' public utility commissions (plus the utility commission in the District of Columbia). More than 12 states have introduced competition into the retail electricity market.

Mexico

In Mexico, regulation of the electricity and natural gas markets is the remit of the *Comision Reguladora de Energia* (Energy Regulatory Commission). The aims of the *Comision Reguladora de Energia* include encouraging productive investment and promoting competition in the electricity, natural gas and oil markets. Regulators and natural gas development companies in Mexico are working together on issues arising in relation to the introduction of more natural gas to the consumer market which has been predominantly served in the past by bottled liquefied propane gas. The state electricity company, CFE, estimates it will need over 32GW of new generation capacity between 2010 and 2024.

Latin America

Brazil

The electricity system in Brazil accounts for 107GW of installed capacity, of which two-thirds is attributed to large hydroelectric plants of over 1000MW. Hydroelectric production accounts for approximately 80 per cent. of the power produced in Brazil. The rest of the power produced comes mainly from diesel and gas-fired thermal plants. There are two nuclear power plants in Brazil, the 630MW Angra-1 and the 1,350MW Angra-2. The construction of a third plant, the 1,350MW Angra-3, started in 1984, but was never finished. In 2010 construction restarted with its completion scheduled for 2015. The 2009 National Energy plan includes the construction of four other nuclear reactors by 2030.

According to ONS forecasts, the electricity demand in Brazil is expected to increase by an average of 5.7 per cent. per year between the years 2009 and 2013. As part of its ten-year expansion plan for 2008-2017, the Brazilian government expects to extend the production capacity by 53GW (33GW of hydro power (of which 11GW for the dam in Belo Monte in the state of Pará), over 6GW of oil, 4GW of coal, 3GW biomass and 3GW gas). The percentage of Brazil's power generated from hydroelectricity would then drop from 80 per cent. to 71 per cent.

In 1997, a period of privatisation in the electricity sector began, which resulted in approximately 80 per cent. of the production capacity remaining the property of the government, while the majority of the distribution activities were transferred to the private sector. Between 2003 and 2005, the Brazilian government introduced the current regulatory regime for the electricity market. In general terms, this system grants the federal government increased control at all levels of the electricity market by virtue of its involvement in the regulatory authority, the network management and the wholesale market. A pooling system was established to create a transparent framework for long-term contracts with distribution companies. The pool, which operates as a risk-sharing tool among producers, is a mandatory supply channel for distribution companies. The model involves auctions (''*leiloes*'') held regularly by the government whereby concessions for the construction of new production capacity (especially hydroelectric) are awarded to those bidders prepared to offer the lowest energy rates. A distinction is made between ''old'' (existing capacity) and ''new'' (new developments and expansions of existing sites) energy, with the latter being awarded longer-term contracts.

Private and public power producers have participated actively in the new energy auctions and the new system has proven to be effective in attracting the investment needed to increase the country's energy production.

Peru

In 2009, Peru reached a total electric capacity of 6.0GW, of which hydroelectricity represents slightly less than 63 per cent. of the production capacity, with 31 per cent. of the capacity attributed to gas plants, and 3 per cent. attributed to coal plants. The energy consumption has increased by an average of 6.9 per cent. in the last 8 years, and it is expected to grow at an increased rate in 2010 (approximately 7 per cent. compared to 2009).

A significant portion of Peru's electrical production is still controlled by the Peruvian government, which owns ElectroPeru, the country's largest electric utility.

Chile

Chile has 16.3GW of installed capacity, of which thermal plants represent 64 per cent. of the production capacity, 35 per cent. is attributed to hydroelectric plants, and 1 per cent. attributable to wind farms. The electricity transportation system in Chile has not yet been fully integrated and consists of four independent networks. The SIC represents approximately 76 per cent. of the installed capacity and supplies approximately 90 per cent. of Chile's population. The SING is situated in the north of Chile and accounts for 23 per cent. of its installed capacity. It mainly supplies power to industrial and mining companies. Two other networks are located in the south of Chile and account for approximately 1 per cent. of Chile's total capacity. Each network is managed by a regional dispatch centre.

The regulatory system has been relatively stable since full privatisation of the electricity sector in 1982.

Panama

In Panama, the state owns 12 per cent. of the 1.83GW of total generation capacity (divided approximately equally between hydroelectric and thermal plants) and holds a 49 per cent. interest and 50 per cent. interest in all privatised thermal and hydro assets respectively. It also controls 100 per cent. of the transmission assets.

The market in Panama is fully liberalised. Power transmission and distribution of energy is operated centrally by the CND (*Centro Nacional de Despacho*) which is part of the state owned transmission company ETESA.

Costa Rica

Costa Rica has 2.4GW of installed capacity. Its electricity market is vertically integrated, owned by the state and controlled by the Costa Rican government. The ICE (*Instituto Costarricense de Electricidad*) acts as the single buyer. The current regulatory framework allows private investment in renewable generation projects but such investment is capped at 50MW per project and must be pursued through the ''Build – Own – Transfer'' scheme. Only 15 per cent. of the country's capacity is permitted to be generated through private generators (private generation currently provides 10 per cent. of the country's total capacity). However, the regulatory framework does allow for 20-year IPP projects below 20MW to be built under the ''Build-Own-Operate'' scheme.

Europe

United Kingdom (which, for purposes of this section only, excludes Northern Ireland)

The United Kingdom has a single wholesale market for electricity generation which is governed by the British Electricity Trading and Transmission Arrangements ("**BETTA**") under the Energy Act 2004 by way of bilateral contracts between energy generators and those purchasing power in order to supply to consumers and traders. The British market was the first electricity market in Europe to be liberalised and is today a fully liberalised merchant market. The total installed power generation capacity in the United Kingdom is approximately 83,000MW.

In the United Kingdom, electricity generators have a range of options for buying and selling electricity over a range of timescales. Trading can take place on spot, prompt or forward markets. Spot trading refers to trading for delivery on the same day as the trade (within day). Prompt trading refers to trading for delivery between (but not including) within day trading and the next month (front month). This includes a number of products, such as products for delivery in the following day (e.g. day ahead), weekend, weekdays, and trades for the balance of week and balance of month. Forward trading refers to delivery in the front month and after, and may include trades months and years ahead of delivery. Forward trading generally consists of trades over a longer duration than prompt and spot trading, with contracts for delivery over months, seasons or years.

Trading can take place on exchanges, which allow parties to anonymously trade commodities, derivatives and other financial instruments. The exchange providers in the UK electricity market are the Intercontinental Exchange ("**IE**"), the APX Power Group and N2EX which provides platforms offering a range of products. APX Power Group and N2EX exchange liquidity is primarily focused on the spot and prompt market with both offering products including half hourly, peak and base load and day ahead contracts. The IE offers a range of monthly, quarterly and seasonal electricity futures products, although volumes traded in these products are relatively low.

The OTC market is where the majority of electricity (and, indeed, gas) trading occurs in the United Kingdom. It is used for bilateral trading between parties, may be voice or electronically brokered and is mainly focused on the forward market. Counterparty risk is typically borne by the counterparties themselves, although in some cases brokerages may clear trades through exchanges or offer bespoke clearing services. Another mechanism for trading energy is through structured contracts, where energy is purchased directly from generators or producers using contracts that are arranged bilaterally, often on a long-term basis (structured contracts are often considered as a subset of the OTC market). Structured contracts may not enhance liquidity as the energy is not sold via the wholesale markets (OTC platforms or exchanges), although volumes sold using structured contracts may be subsequently traded in the wholesale markets (contributing to liquidity). However, the volumes and prices of such contracts may not be known, which frustrates transparency, in particular price discovery.

Many of the suppliers in the United Kingdom have adopted a strategy of vertical integration whereby they can source the volumes they need to meet their customers' requirements internally. The main competitors in this generation market are vertically integrated energy companies and IPPs. The International Power Group is the largest IPP (by capacity) in this power market.

The mix of power generation capacity is likely to change significantly over the next decade and beyond due to environmental concerns and security of supply issues. Approximately 13,700MW of power generation capacity (fuelled by coal, oil and nuclear) is to be retired by 2016.

The reserve margin increased to 36 per cent. in 2009, due both to reductions in demand levels and the commissioning of new gas-fired power generation plants. It can be expected to increase slightly over the next couple of years with commissioning of additional gas-fired power generation plant currently under construction, which is forecast to be mitigated in part by demand growth as the economy comes out of recession. The reserve margin is projected to be 38 per cent. in 2010, but reserve margins are forecast to reduce significantly over the next 5 to 10 years as nuclear, coal and oil plants retire. It is likely that additional new plants will be required over this period.

The UK energy industry is regulated within a framework created by the UK Electricity Act 1989 (the "**Electricity Act**"). The Electricity Act has subsequently been amended by the UK Utilities Act 2000 and the UK Energy Acts of 2004 and 2008. The UK government is also required to implement various legislative provisions of the European Union relating to the energy sector. In addition, there has been recent legislative reform of the planning regime which affects the UK energy industry (described further below).

The overarching strategy for UK energy policy is decided by the UK government, and, in particular, the Secretary of State for the Department of Energy and Climate Change (the "**Secretary of State for DECC**"). Various non-governmental administrative authorities further develop rules for, regulate and enforce, the statutory energy regime, namely the Gas and Electricity Markets Authority ("**GEMA**") and its regulatory body, the Office of the Gas and Electricity Markets as well as the Northern Ireland Authority for Utility Regulation ("**NIAUR**").

The regulatory aspects of generation, distribution and transmission functions in the UK energy sector are treated separately and the United Kingdom operates a general licensing regime in respect of each. In order to generate electricity above a certain power output threshold, a licence must be obtained from Ofgem, unless an exemption to such licensing regime applies. The Ofgem generation licence provides a set of general conditions which are applicable to all licence holders and which regulate the activities to be undertaken by a licensee. Ofgem may also impose specific conditions on an individual licensee in respect of its business.

International Power and the GDF SUEZ Energy International Division hold electricity generation licences granted by Ofgem in respect of their electricity generation activities in the United Kingdom. These are held by the individual operating subsidiaries of International Power at First Hydro Company, Indian Queens Power Limited, IPM Energy Trading Limited, Rugeley Power Limited, Deeside Power Limited and Saltend Cogeneration Company Limited, and within the GDF SUEZ Energy International Division by GDF SUEZ Teesside Limited, GDF SUEZ Shotton Limited and GDF SUEZ Marketing Limited (this licence is not actively used at present). The plant located at Teesside operated by GDF SUEZ Teesside Limited is currently operating under a derogation from the regulator in relation to the National Grid Grid Code condition CC6.3.2(a). This derogation expires in October 2012 (an extension to December 2016 is currently under consideration by Ofgem). International Power's Power Generation Plants and the GDF SUEZ Energy International Division's Power Generation Plants in the United Kingdom are not subject to any specific conditions imposed by Ofgem. International Power also holds a supply licence, granted by Ofgem in respect of its supply business, IPM Energy Retail Ltd. The GDF SUEZ Energy International Division also holds a non-domestic electricity supply licence, granted by Ofgem in respect of its electricity supply business to GDF SUEZ Marketing Limited. The GDF SUEZ Energy International Division holds four gas supply licences, granted by Ofgem in respect of its gas supply business to GDF SUEZ Sales Limited, GDF SUEZ Solutions Limited, GDF SUEZ Marketing Limited (this licence is not actively used at present) and GDF SUEZ Energy UK Limited (this licence is not actively used at present). The GDF SUEZ Energy International Division holds three gas shipper licences granted by Ofgem in relation to its gas shipper activities conducted by GDF SUEZ Marketing Limited, GDF SUEZ Solutions Limited and GDF SUEZ Teesside Limited.

In addition to the requirement to obtain a licence to operate within the UK energy market, Ofgem generally requires an energy market participant to adhere to a number of industry codes. Of particular relevance to the Enlarged International Power Group's generation business in the United Kingdom is the Balancing and Settlement Code "**BSC**", which provides rules designed to ensure effective operation of the balancing mechanism and imbalance settlement process, and the Grid Code, which is required to cover all material technical aspects relating to connections to and the operation and use of the transmission system. In addition, the Connection and Use of System Code "**CUSC**" is also important, providing the contractual framework for connection to and use of the transmission system. Compliance with these codes is enforced through standard generating licence conditions.

Ofgem has recently undertaken a review of long term security of supply in the UK market ("**Project Discovery**") and is recommending to the government that changes are required to the wholesale market design. Separately, the Department of Energy and Climate Change has also published its own Energy Markets Assessment. DECC is reviewing market arrangements during 2010, and following formal consultation, aims to reform the market to encourage investment and to ensure the electricity system helps the UK meet its climate change and security of supply objectives.

As well as regulating the energy market more generally, Ofgem has concurrent jurisdiction with the UK Office of Fair Trading (the "**OFT**") to investigate anti-competitive practices by licensee energy market participants. Such practices include, for example, anti-competitive agreements between competitors and abuses of a dominant market position. In particular, the OFT may investigate such anti-competitive practices under articles 101 and 102 of the Treaty on the Functioning of the European Union ("**TFEU**") (formerly articles 81 and 82 of the Treaty Establishing the European Community) and chapters I and II of the UK Competition Act 1998. The European Commission also has the power to investigate and enforce breaches by entities of articles 101 and 102 TFEU within the United Kingdom. Ofgem (concurrently with the OFT) further has the power to refer aspects of the energy market to the UK Competition Commission where it has a reasonable belief that anti-competitive practices may exist. The OFT and Ofgem (or the European Commission, if it exercises jurisdiction) have the power to impose a fine of up to 10 per cent. of an undertaking's worldwide turnover for breaches of competition rules.

The Community Energy Saving Programme ("**CESP**") was launched by the UK Government in September 2009. It creates a carbon emissions reduction obligation for energy suppliers and electricity generators, aimed at improving energy efficiency, reducing green house gas emissions and alleviating fuel poverty. International Power and Mitsui ("**IPM**"), as owners and operators of six generating stations in the UK, have delivery obligations under CESP which are being serviced through contracts with specialist providers in this area. GDF SUEZ Energy UK, as the owner and operator of over 2GW of generation capacity in the UK, has delivery obligations under CESP which will be performed over a three-year period.

The exact target for IPM's delivery obligations will not be fixed until March 2012. CESP is likely to be replaced from 2013 by the Government's Green Deal. It is unclear whether IPM will have any further obligations under this new scheme.

Italy

Italy has approximately 107,000MW of installed generation capacity and imports up to 17 per cent. of its electricity consumption, making it one of the most electricity import dependent states in Europe. Switzerland, France, Austria and Slovenia are key electricity suppliers. A number of factors have contributed to Italy's import dependency, the most important is the difference in wholesale electricity price between Italy and its neighbouring countries, mainly due to the Italian fuel mix, based on new gas fired capacity (50 per cent. of generation) with little coal (13 per cent. of generation), little oil (6 per cent. of generation) and no nuclear plant, with total renewable capacity accounting for 23 per cent. in 2009. In the period 2003 – 2009 19,000MWs of new thermal capacity has come on line, and approximately 2,000MWs of new thermal capacity is expected within 2011.

In May 2008, the newly elected Italian government announced that it would overturn the existing moratorium on nuclear power, which had been in place since 1987. In July 2009, the Senate approved a bill allowing for the reintroduction of nuclear energy to Italy. The government intends to proceed with the construction of nuclear power plants in the country as soon as is practical, and the initial plans envision a functioning plant by 2013, although in light of the lack of technical knowhow and the problems that may arise with setting up the necessary regulatory authorities and picking a site for the plant, this date is considered to be optimistic. The government's longer term vision is to procure 25 per cent of the country's electricity from nuclear power by 2030.

The government has sought to encourage renewable energy development and solar energy in particular. Wind energy is concentrated in the south of the country (Apulia and Sicily) where the wind is strongest. Italy is one of the largest producers of geothermal energy in the world behind the United States and is considered to have significant further potential.

The Italian Government gave initial approval to draft legislation on 30 November 2010 with the objective of reducing the cost to the local regulator of supporting the presently over supplied market for green certificates (CVs). The draft proposal, that still requires several further approvals before becoming law, would re-shape the current renewable incentive regime. The level at which the regulator would support the CV price received by existing capacity is expected to fall compared to the level supported under the current regime, and after 2015 existing plants would receive a feed in tariff. The pricing structure of the proposed feed in tariff has not been defined. A lower CV price would have negative short term implications for the renewable sector within Italy.

New renewable projects that may be commissioned after 2012, depending on the size of installation, would either receive a feed-in tariff, or larger schemes would participate in an auction process for the right to develop projects. The final form of the legislation is expected to be approved by parliament in 2011.

Germany

Germany is Europe's largest electricity market. Around 40 per cent. of its generation is from coal, with another quarter sourced from nuclear plants. At nearly 26,000MW, Germany has the most significant renewable energy market in Europe, helped along by government subsidies. In 2004, Germany introduced a feed in electricity law known as EEG (*Erneuerbare Energien Gesetz*), which obliged utilities to buy power generated from renewable sources at above market rates. It led to a boom in the construction of "green energy" facilities, particularly wind turbines. The German government had set a target of producing 12 per cent. of all electricity from renewable sources by 2010, but surpassed this in 2007 when the contribution of renewables grew to 14.3 per cent. on the back of favourable weather for wind generation, up from 11.8 per cent. the previous year. Germany is one the world's largest users of wind power with an installed capacity of over 25,000MW by the end of 2009. More than 21,000 wind turbines are located in the German federal area and the country has plans to build more of them in the near future. In 2009, 6.5 per cent. of Germany's total electricity consumption was satisfied by wind power.

Portugal

Under the New Electricity Framework, the national electricity system (the *Sistema Eléctrico Nacional*), can be divided into five major functions: generation, transmission, distribution, supply and operation of the electricity market. Each of these functions must be operated independently, from a legal, organisational and decision making standpoint, subject to certain exceptions. Electricity generation is now fully open to competition, subject to obtaining the requisite licences and approvals. Electricity generation is divided in two regimes: ordinary regime generation, which refers to the generation of electricity through traditional non renewable sources and large hydro electric plants, and special regime generation, which refers to the use of alternative indigenous and renewable sources for electricity generation and for co generation. Special regime generation is subject to different licensing requirements and benefits from special tariffs. Under the New Electricity Framework, the last resort supplier (currently EDP Servico Universal, S.A.) is obliged to purchase all electricity generated under the special regime generation. The organised electricity markets operate on a free market basis, subject to authorisations jointly granted by the Minister of Finance and by the Minister responsible for the energy sector. Electricity market operation is to be integrated into the functioning of any organised electricity markets established between the Portuguese State and other EU Member States. Generators operating under the ordinary generation regime and suppliers, among others, can become market members. Under a recent order, the Portuguese Government established a capacity payment for power stations built after 2007 to incentivise new investments and maintain an adequate reserve margin. This will align the Portuguese and Spanish market remuneration mechanisms under the Iberian market framework.

Portugal is now among the leading OECD countries in terms of both hydro and wind power penetration and is at the forefront of ocean power development. Renewable energy capacity has grown considerably over the past four years and the government recently set a new more demanding target such that power generation from renewable sources is to supply 45 per cent. of gross electricity consumption by the end of 2010, an increase on the previous target of 39 per cent. Other new and ambitious targets for renewable energy include a wind power capacity target of 5,100MW and 5,575MW of installed hydropower capacity by the end of 2010.

Turkey

Strong electricity demand growth in Turkey in recent years has put pressure on the country's existing infrastructure, necessitating significant investments in new generating capacity. The 2001 Electricity Market Law, underpinning the privatisation and liberalisation of the Turkish power sector, brought Turkish electricity legislation in line with EU legislation. The 2001 Electricity Market Law was amended in July 2004 to allow state owned TETAS and EUAS to distribute power directly to consumers. In 2004, the market was also opened to consumers of more than 7.8GWh per year. This threshold was lowered slightly in 2005 to 7.7GWh resulting in 29 per cent. of customers in Turkey being eligible.

The reform of the energy sector and the country's economic recovery generated an increase in private investment in Turkey's power generation sector. Reform has resulted in the privatisation of more than half of the 21 electricity distribution networks and some small EUAS power generation assets in 2009/10. The remainder of the distribution selloffs should be completed by the first quarter of 2011, and most of the EUAS generation assets were expected to be sold in parcels during 2011, although the parliamentary elections, which have been moved to June 2011, may delay completion into 2012. Turkey has quickly recovered from the 2008 global economic crisis with strong GDP growth of approximately 7 per cent. predicted for 2010, and demand growth has restarted.

In the last 3 years, natural gas-fired power generation plants have produced over 49 per cent. of Turkey's electricity needs, closely followed by coal, with total thermal power accounting for around 80 per cent. and hydro around 18 per cent. of the country's overall electricity generation. But as the country is heavily reliant on imported fuel supplies for its power needs, the government has been pushing plans to expand the share of renewable energy in Turkey's power generation mix (in particular hydropower, the most common form of renewable energy, which already accounts for nearly one third of the country's generation capacity but still has significant potential that can be exploited) and to build Turkey's first nuclear power plant. In July 2008, the government launched plans to construct 61 small scale hydroelectric power plants to be built by the State Waterworks Authority and private sector investors. Turkey also has a potential 10GW of wind power capacity (with approximately 1.5GW in operation) and some geothermal potential.

Natural gas supply and supply contract management is still predominantly ensured by BOTAS, the national oil and gas transport company, while the gas distribution sector is serviced by private companies or municipal authorities (Ankara municipal authority is undergoing privatisation and Istanbul municipal authority is expected be privatised in late 2010). In May 2001, the Turkish parliament passed a law for the liberalisation of the gas market, aimed at ending the monopoly of BOTAS and opening up the market in the import and distribution of gas to private companies. A demerger of BOTAS has also been considered but no decision has yet been made. New gas laws are in the final stage of approval, going further in opening the market.

The Middle East

United Arab Emirates ("UAE")

The UAE is one of the fastest growing users of electricity in the world, making new generation capacity a key focus for the individual emirates. Growth rates for UAE power demand are among the highest in the region, buoyed by financial and tourist projects. According to government figures, the total existing electricity generating capacity in the UAE stood at just over 17,000MW in November 2009 and it is set to expand by a further 50 per cent. over the next five to 10 years. Abu Dhabi is leading the way on new generation growth, while Dubai is pursuing some large scale power plant expansions and greenfield developments on its own.

A number of emirates have allowed private investment into their generation sector and have plans to bring private money into the distribution sector. But further demand growth, as well as the strains of subsidising power consumption, is likely to require more steps towards liberalisation and in the longer-term, it is expected that other emirates will also open up their markets.

State owned organisations control all aspects of the power industry in all the emirates other than Abu Dhabi. In Abu Dhabi, IPPs and Independent Water and Power Producers ("**IWPPs**") are developed as partnerships between Abu Dhabi Water and Electricity Authority ("**ADWEA**") holding companies (60 per cent.) and private investors (40 per cent.). All these IWPPs sell water and electricity from their production plant to the single state owned buyer, Abu Dhabi Water and Electricity Company ("**ADWEC**"), under long term PWPAs.

Gas is the dominant source for electricity, but nuclear energy is being pursued in order to diversify fuel sources. In December 2009, a Korean consortium was awarded a US$40 billion project to develop, construct and operate four nuclear power plants, with a combined capacity of 5,600MW planned to come on stream by 2020. There is also significant potential to develop renewable energy sources such as wave and solar power in the region. Although some oil fired facilities remain, the emirates have made inroads into increasing the contribution of gas fired plants in installed capacity. Increased domestic gas production and initial imports from Oman, replaced by Qatar from mid to late 2008, is giving the UAE further scope to increase the share of gas in power generation, although the planning for securing larger gas volumes either by trying to get more gas from Qatar, or through increasingly tapping its own, expensive to develop, sour gas reserves.

Oman

Oman has been the pioneer for electricity privatisation and deregulation in the Middle East. The government is aiming to increase the country's power generation capacity to meet rising demand from domestic users and support industrial growth. To date, private investment has been welcomed in existing generation facilities and IPPs, with greater private involvement in transmission and distribution networks emerging. The contract to build-own-operate the 90MW al Manah power station awarded in 1994 to the division today known as GDF SUEZ Energy International was the region's first IPP. Since then, six IPPs have added new capacity in recent years (including International Power's Al Kamil plant and the Sohar, Barka 2 and Al-Rusail plants in which the GDF SUEZ Energy International Division has an interest).

New power generation is expected to remain a priority for some time, as electricity demand is projected to increase by 75 per cent. in the period 2009 to 2015, and annual electricity demand is currently running at around 7 to 8 per cent. (with occasional bounces upwards of 15 per cent. as new generation capacity catches up with pent up demand), with targets to add new capacity of over 2,500MW by 2015.

The electricity sector is regulated by an independent regulatory authority ("**AER**"). Planning and contracting of new capacity is undertaken by Oman Power and Water Procurement Company. Private sector participation in Oman has involved focusing on IPPs for new generation and also privatising existing power facilities. The first wave of IPPs at Al Manah, Barka and Al Kamil, and indeed all IPPs/IWPPs in Oman to date sell their power to the government through 15 year PPAs. All IPPs/IWPPs have to offer a 35 per cent. equity stake to the public within a four year period of incorporation. This has proved highly successful to date. Oman's dependence on gas as feedstock for electricity generation is increasing in line with the development of the country's gas resources and infrastructure. Most new major projects are now based on natural gas feedstock. Potential limitations of future gas availability has led Oman to study using coal as feedstock at some of its planned projects eg potential for a coal fired plant in Duqm. To date however there has been no firm decision to pursue coal fired projects in Oman. The vast majority of power generation is expected to rely on thermal power generation, although both wind power and solar power options are under consideration.

Qatar

In May 2000, the Qatari government took a significant step towards privatisation of its power sector. Power generation plants owned by the Ministry of Electricity and Water were transferred to the public private QEWC (57 per cent. controlled by local investors and 43 per cent. by the government), thereby limiting Kahramaa's (i.e. the government offtaker) role to power and water procurement. All of Qatar's electricity generation is derived from gas turbines, which are fuelled by the country's plentiful natural gas resources. Nearly all projects have been undertaken as part of joint power and water desalination projects.

A series of IPPs has been launched in Qatar to meet growing demand for electricity, currently increasing at 10 per cent. per annum and forecast to grow at between 7 per cent. and 8 per cent. annually. Since the IPP programme began, Qatar has successfully tendered four IPPs, namely Ras Laffan B, the 750MW Ras Laffan A, Mesaieed at 2,000MW and most recently Ras Laffan C, the largest yet at 2,600MW. The incumbent Qatari generation company, QEWC, has also during this period increased the capacity of its own Ras Abu Fontas facility by 567MW. When all of this new capacity reaches commercial operation, total installed capacity in the country will be in excess of 9,600MW. Further new projects will see this figure reach 12,000MW by 2015, an increase of 450 per cent. on the installed capacity prior to the beginning of the IPP programme.

Saudi Arabia

The partly state owned Saudi Electricity Company (19 per cent. of Saudi Electricity Company is held by private investors and a further 6.9 per cent. is held by Saudi Aramco) continues to hold a monopoly position across Saudi Arabia's electricity generation, transmission and distribution network. However, the government has expressed its willingness to open the sector up to further private investment in an effort to meet demand growth of an estimated 5.5 per cent. a year and has made changes in tax and investment terms.

As well as Saudi Aramco, other major offtakers (WEC and Saudi Electricity Company) have launched IPPs/IWPPs in the Kingdom of Saudi Arabia. Currently, Saudi Electricity Company is most active in the IPP market, awarding the 1,200MW Rabigh power generation plant to an independent power developer in 2008 and the 1,750MW Riyadh PP11 power generation plant in late 2009. In 2010 and 2011, the Qurayyah 2,000MW power generation plant will also be tendered. Peak power demand in KSA rose by 8.7 per cent. to 38,000MW from 2008 to 2009. It is forecast to grow to 75,000MW by 2020, a compound annual growth of 6 per cent.

Bahrain

The Electricity and Water Authority of Bahrain is the 100 per cent. government owned single buyer of power in Bahrain. The government has pursued a policy of encouraging 100 per cent. privately owned independent power and water generation plants. Installed capacity in Bahrain is currently 2,735MW. Demand is forecast to grow by 5 per cent. per annum, reaching 4,800MW by 2020.

Australia

The Enlarged International Power Group's main markets in Australia

In Australia, International Power operates in the states of Victoria, South Australia and Western Australia. All of its power generation plants (except Kwinana) operate in the states of Victoria and South Australia, which are part of the National Electricity Market (the "**NEM**"). The NEM is the market supplying the interconnected electricity grid of the five eastern states of Queensland, New South Wales, Victoria, South Australia and Tasmania, and is the main wholesale electricity market in Australia supplying some 90 per cent. of Australia's electricity. The NEM operates arguably the world's longest interconnected power system (4,000 kilometres or approximately 2,500 miles) with approximately eight million consumers.

The Kwinana co generation plant operates under a PPA in the Western Australian market, called the South West Interconnected System, which is not connected to the NEM.

The NEM is operated by the Australian Energy Market Operator ("**AEMO**"), which performs the combined roles of independent market operator and system operator responsible for system security. The NEM is a centrally dispatched, marginal priced spot market operating in near real time. Generation dispatch is optimised each five minutes from the offers of scheduled generators and bids from a limited level of demand side participation, and is settled for each half hour period.

The installed generation capacity in the NEM comprises 48,200MW in scheduled, grid connected capacity and a further 2700MW in embedded, non scheduled capacity. For 2010, the reserve margin for Victoria and South Australia is expected to be approximately 18.4 per cent. (assuming no new-build) and approximately 19.9 per cent. (with planned new-build capacity). NEM infrastructure is comprised of both state owned and privately owned assets. Mainly over the past 15 years, Australia's power sector has experienced piecemeal privatisation and deregulation commencing with the privatisation of all electricity assets in Victoria. Ownership of power generation plants differs from state to state. Generation in Victoria was broken up into separate power stations, or power station groups, and sold from 1995 onwards. Generation in South Australia was similarly disaggregated and privatised via long term leases in 2000. Approximately half of the power generation plants in Queensland are owned by the private sector. The other half are state owned and broken into three separate portfolios, although the Queensland government has recently announced its intention to reaggregate these three portfolios back into two from July 2011. In New South Wales, there are three large state owned power generation portfolios with a further 5 per cent. of capacity privately owned. State owned generation in the NEM is structured to compete with both other state owned and with privately owned generation on a commercially similar footing.

The top five power producers represented 50 per cent. of NEM power capacity at the end of 2009.

Australia has vast reserves of natural resources and its significant coal, gas and uranium reserves allow it to be a major energy exporter. Australia uses domestic black coal, brown coal and gas to power its electricity sector, but has no nuclear power plant despite having significant uranium resources, and exporting uranium.

Australia generates 92 per cent. of its electricity from fossil fuel sources, including 84 per cent. from coal. Coal-fired generation is especially prevalent in the eastern states of Queensland, New South Wales and Victoria. South Australia and Western Australia have a higher cost of production, due in part to their higher dependence on gas-fired power. Fuel prices in Australia have not historically been linked to global coal and gas prices. This, and the significant contribution of indigenous brown and black coal, is part of the reason that Australia's electricity is low cost by OECD standards. Power generation in Victoria is primarily based on brown coal, which produces 93 per cent. of the energy used in the state, with some gas-fired mid merit and peaking plants and hydro resources available to it from the Victorian and the Snowy Mountains hydro scheme. There is a small amount of wind power. Victoria is also interconnected with Tasmania (largely hydro based), New South Wales and South Australia. Victoria's power generation capacity is heavily concentrated in the brown coal rich Latrobe Valley, which houses the four largest power generation plants in this state. Latrobe Valley brown coal generation totals approximately 6,600MW, accounting for 62 per cent. of the capacity in Victoria.

South Australia, where International Power owns the Pelican Point and the Synergen Power Generation Plants, has its energy requirements met by a combination of brown coal, natural gas and wind, and the state is well connected to the power grid of Victoria.

Energy Regulation in Australia

The Ministerial Council on Energy ("**MCE**") comprises representatives of the governments of each state and the Commonwealth and provides overall policy and governance direction to the gas and electricity markets. Three institutions provide governance and market management under the MCE.

First, the Australian Energy Market Commission ("**AEMC**") is responsible for market rule making and market development in the electricity and gas markets. The AEMC also oversees reliability standards in the National Electricity Market ("**NEM**").

Secondly, the Australian Energy Regulator ("**AER**") provides market supervision, and regulation of electricity transmission networks (which operate in a regulated environment). The AER regulates the revenues of transmission network service providers, monitors the electricity and gas wholesale markets, monitors compliance with national electricity and national gas laws, rules and regulations, investigates breaches of provisions of the national electricity and national gas laws, rules and regulations, and institutes and conducts enforcement proceedings against relevant market participants.

Thirdly, the Australian Energy Market Operator ("**AEMO**") is owned by the states and the Commonwealth, and while not strictly a regulator, manages the wholesale electricity market, dispatch and settlement, system security and the various state based gas arrangements. AEMO also provides a central network planning capability for the NEM. However, actual network investment is undertaken by regional "network services providers," in most cases the network owners, who invest in networks according to a defined rules framework, and under the regulatory oversight of the AER.

In the case of gas, AEMO is the designated operator for the state based gas spot market in Victoria and the new Short Term Trading Markets ("**STTM**") which commenced in New South Wales and South Australia in September 2010. A similar market is planned for Queensland, but is at least 6 to 12 months from commencement. AEMO is responsible for gas system security in Victoria but not the other states. The gas transmission network is privately owned.

Market participants are also subject to Australian competition law (the Trade Practices Act), administered by the Australian Competition and Consumer Commission, and the Corporations Law, administered by the Australian Securities and Investment Commission. Each state retains a state based regulator currently responsible for retail regulation, including retail price regulation in all states except Victoria and, pending assumption by the AER, distribution pricing. Transfer of these powers to Commonwealth regulators is the objective, but progress is quite slow.

The Australian federal government proposed an emissions trading scheme across most economic sectors (the Carbon Pollution Reduction Scheme or "**CPRS**") in 2009. The government's targets are a minimum 5 per cent. reduction in CO_2 emissions (against 2000 levels) by 2020, with the potential for this target to change to as much as 25 per cent., pending a global agreement to cut CO_2 emissions. The legislation proposed that the scheme would be introduced from July 2011, with a period of ten years where, in effect, no charge will be applied for a portion of emissions from higher emissions intensity coal-fired power plants, and International Power's Hazelwood and Loy Yang B power stations would be eligible for this relief. The scheme also included a fixed price for carbon of A$10/ tonne for the first year of the scheme. This proposed legislation was defeated in August and again in December 2009, and the government indicated in April 2010 that it would defer until 2013 a decision as to whether to re-introduce the CPRS.

The future of this or any alternative greenhouse emissions legislation remains unclear in Australia. An election held on 21 August 2010 resulted in neither major party being able to form a majority. On 7 September 2010, the Australian Labor Party formed a minority Government after receiving the support of the Greens party and three independent members of parliament. Future greenhouse policy remains uncertain given a range of policy positions across the broad coalition that now supports the minority Government. The Government has formed a Parliamentary Committee to provide guidance on the implementation of climate change policy. This committee is due to report at the end of 2011. In the interim, some parliamentarians, green groups and business leaders have canvassed a carbon tax. The Government has also formed "carbon roundtable" consultations with business and other non-government organisations.

In Victoria, where International Power's Hazelwood and Loy Yang B power stations are located, the Victorian Government has recently passed legislation giving reserve powers to the Environment Protection Authority ("**EPA**") to regulate the emissions of greenhouse gases from facilities in the state. The Victorian Government's stated intention is to achieve a 20 per cent. reduction in greenhouse gas emissions on 2000 levels by 2020, and their preferred policy includes negotiation of some emissions reductions from brown coal power stations for a payment.

Australia has also legislated the National Greenhouse and Energy Reporting Act from July 2008, which introduced obligations for measurement and reporting of greenhouse gas emissions (including carbon dioxide), energy consumption and energy production. Further, a number of existing and proposed renewable obligations and energy efficiency obligations exist at both Federal and State levels. In particular, the Mandatory Renewable Energy Target requiring 20 per cent. of electricity to be generated from renewable sources by 2020, and provides separate targets for large- and small-scale renewable generation.

The Commonwealth Government is also considering the potential application of a Minerals Resources Rent Tax to the mining of coal and iron ore, and International Power has represented its position, that such a tax is inappropriate to brown coal which has no export market, to a committee considering application of such a tax.

Asia

Indonesia

The Indonesian electricity sector is dominated by PT PLN (Persero) ("**PLN**"), a state-owned enterprise. The total installed generating capacity in Indonesia is currently 29,373MW with 22,406MW coming from the main island of Java, although not all of the installed capacity is usually operational. Approximately 85 per cent. of this capacity comes from PLN, with the remainder coming from privately owned sources and IPPs. International Power believes that the government intends to increase generating capacity as annual electricity demand is estimated to continue growing at a rate of more than 9 per cent. over the next 10 years. The government launched its "10,000MW Acceleration Programme" in 2006 to add 10,000MW of new capacity by 2010. Projects under the plan are predominantly coal fired and aim to reduce Indonesia's dependence on oil fired generation.

PLN is now readying the second generation programme due for implementation between 2010 and 2014 and is set to generate another 10,153MW. Ninety-three power generation plants are expected to be tendered under the second capacity programme. According to government announcements and industry estimates, 40 per cent. of supplies under the plan are expected to come from geothermal plants, 11 per cent. from hydroelectric plants, 33 per cent. from coal fired plants and 16 per cent. from gas fired plants. PLN estimates that Indonesia will require a total investment of US$84 billion, or US$8 billion per year, to add necessary generation capacity, transmission, and distribution until 2018. The government has opened tenders to IPPs, which are expected to provide funding for between 75 per cent. and 80 per cent. of the 10,000MW programme.

According to industry estimates, only around 66 per cent. of Indonesia's population currently has access to electricity, although the government plans to enhance access to supplies to 93 per cent. by 2025. The government is keen to ensure that domestic resources are available as generating feedstock for new projects. A new law stipulates that domestic consumers, including the power sector, will have priority for newly discovered supplies of gas, which will support the government's attempts to boost gas fired generating capacity. The country's geothermal potential remains exciting for power producers and the government wants Indonesia to be producing 5,000MW of geothermal generating power by 2014, which is expected to reduce carbon emissions by around 82 million tonnes. Another significant tranche of Indonesia's power currently comes from hydroelectric generation, but the industry remains relatively undeveloped. Potential generation sites are often far from the main end markets and would require costly transmission infrastructure.

Pakistan

Electricity demand in Pakistan is currently increasing by approximately 1,600MW annually, meaning the country requires additional investment in the generation, transmission, and distribution networks. With 65-70 per cent. of the population having access to electricity, there is a huge potential for sustained growth in electricity consumption, particularly in rural areas, although this will require significant investments in expanding transmission and distribution capacity.

Pakistan had a total installed generating capacity of 21,593 MW as at 30 June 2010 of which around 45 per cent. is generated by private companies (including KESC). With several new projects coming on line during the second half of 2010, the total installed generating capacity is currently estimated to be in excess of 22,000 MW. The Water and Power Development Authority of Pakistan ("**WAPDA**") and the Pakistan Electric Power Company ("**PEPCO**") together operate over half of Pakistan's generating capacity and are the main customers for electricity generated from IPPs. Around 24 IPPs are currently operating in Pakistan (including International Power, Siemens, General Electric, AES and El Paso).

Pakistan's electricity sector policy is directed towards rapidly expanding installed generating capacity to meet demand as well as guaranteeing supply security and improving the commercial viability and efficiency of the sector. The growing power deficits in Pakistan, which are currently estimated at around 4,000MW, have made boosting generating capacity a government priority. The government wants to raise generating capacity to 24,326MW by 2012, 27,097MW by 2013 and 29,557MW by 2014, and is trying to attract foreign investment into its power sector in order to boost capacity and reduce power shortages.

Pakistan's electricity sector is managed by the Ministry of Water and Power, which aims to provide strategic long term financial planning for power plants in the public and private sector. Over the past 15 years, Pakistan has been pursuing a strategy of deregulation, privatisation and transformation of its public sector utilities, including its two major utilities, WAPDA and PEPCO.

By 2025, the government aims to boost hydropower capacity to 22,563MW, nuclear power to 1,800MW and renewable energy to 1,500MW. The government also plans 4,350MW of new coal-fired plants. Pakistan has coal reserves of 185 billion tonnes, predominantly located in the Sindh province. That particular coal deposit is believed to be able to support annual production of 536 million tonnes, which could generate around 100,000MW of power per year. Potential hydropower capacity is also estimated at 41,700MW against an actual capacity of 6,600MW, which has prompted the government to explore opportunities for further development of the resource. Fourteen hydropower projects with a combined capacity of 25,000MW are currently undergoing feasibility studies, suggesting hydropower's share in the generation mix is likely to significantly increase over the next decade.

Thailand

Thailand's electricity sector remains dominated by the state owned Electricity Generating Authority of Thailand ("**EGAT**"), which at the end of 2008 accounted for 50 per cent. of the country's total generating capacity of 29,891MW. Domestic IPPs, small power producers and imports from neighbouring countries accounted for the remaining 50 per cent. IPPs in Thailand usually sell their output to EGAT under long term contracts, the terms of which are stipulated at the time of the IPP tender stage. EGAT sells power either directly to industrial users or to the country's two distribution companies: the Metropolitan Electricity Authority ("**MEA**") and the Provincial Electricity Authority ("**PEA**"). The Map Ta Phut industrial estate is an exception in that Glow Energy has a licence to generate, distribute and sell power and steam to industrial customers

Thailand's current electricity demand has grown by approximately 6 per cent. to 7 per cent. in each of the past five years, although in 2008, it experienced its first electricity demand contraction due to the global economic slowdown. To help increase its generating capacity, the country has been keen to liberalise the sector and boost private sector investment. The government hopes to bring over 30,000MW of new capacity online by 2021 (8,500MW of which is expected to come from private power production). A solicitation round for IPPs was held in 2007 and four successful bidders were selected that are currently implementing projects with a total capacity of 4,400MW over the 2011 to 2014 period.

One of the key aims of Thailand's electricity policy is to reduce dependence on natural gas as a feedstock for power generation. Crude price volatility over 2008 had a knock on impact on natural gas prices that undermined stability within the sector. Thailand's long term power development plan includes proposals for new coal-fired and nuclear generating capacity to diversify the country's generation mix, while keeping down production costs by retiring older and more inefficient plants. EGAT has also tried to decrease its oil-fired generation capacity given high import costs to preserve imports for the refining and petrochemical sectors.

Singapore

Historically in Singapore, the electricity market has been vertically integrated, owned by the state and controlled by the government. Liberalisation in the electricity industry began in 1995 with a view to improving efficiency and innovation.

In 2001, the electricity generation and retail markets were separated from the natural monopoly existing in the electricity transmission market. The National Electricity Market of Singapore ("**NEMS**") was established on 1 January 2003.

In the NEMS, which is similar to a real-time electricity trading pool, generation companies compete to sell electricity every 30 minutes while electricity retailers buy electricity from the NEMS and offer packages to sell electricity to eligible consumers.

The Energy Market Authority of Singapore Act 2001 created the Energy Market Authority, a new regulator for the power sector in Singapore ("**EMA**"), and paved the way for the creation of a market framework for the supply of electricity in Singapore in order to promote and maintain fair and efficient market conduct and effective competition. To facilitate competition and promote efficiency in the electricity market, vesting contracts were introduced on 1 January 2004 pursuant to which power generation companies are committed to sell a specified amount of electricity (the vesting contract level) at a specified price (which is based on the long-run marginal cost of a new entrant). EMA reviews both the vesting contract level and the parameters used to set the vesting prices every two years.

Since 2001, the government has been privatising the retail electricity market in stages and the criteria to be considered an eligible customer have been progressively eased. The third and last stage will be to open the retail market to all consumers although there is currently no firm timetable for this.

In the generation sector, all the assets that belonged to Temasek, an investment company owned by the government of Singapore, have been sold to private investors, resulting in full privatisation of Singapore's power generation sector.

PART 5: OPERATING AND FINANCIAL REVIEW RELATING TO THE INTERNATIONAL POWER GROUP

The following information should be read in conjunction with the financial information included in Part 7 (International Power Financial Information) of this Prospectus. The financial information set out below and referred to in this Part 5 (Operating and Financial Review relating to the International Power Group) has been extracted without material adjustment from the financial information set out in Part 7 (International Power Financial Information) or has been extracted without material adjustment from International Power's accounting records, which formed the underlying basis of the financial information included in Part 7 (International Power Financial Information).

Some of the information in this Part 5 (Operating and Financial Review relating to the International Power Group), including information in respect of International Power's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risk and uncertainties. Potential investors should read "Important Information – Forward-looking statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the International Power Group, the GDF SUEZ Energy International Division and, following Closing, the Enlarged International Power Group.

International Power's Restated Consolidated Financial Information is prepared in accordance with IFRS.

For the purposes of this Part 5 (Operating and Financial Review relating to the International Power Group), references to the "International Power Group" or "Group" shall mean International Power, its subsidiaries and the proportionate share of International Power's joint ventures.

Overview

The Company is a leading global independent power generation business with interests in 34,408MW (gross) of power generating capacity in operating plants that are located in five core regions – North America, Europe, Middle East, Australia and Asia. The Company primarily engages in the development, acquisition and operation of power generation plants. The Company's Power Generation Portfolio consists of more than 50 Power Generation Plants (including a small number of plants currently under construction) which are located in more than 21 countries. The Company also engages in the development of businesses that are closely linked or complementary to the operation of its Power Generation Plants, such as the desalination of water in the Middle East and small retail supply businesses in Australia and the United Kingdom.

The Company has grown significantly in the last five years, increasing its net power generation capacity by approximately 5GW through both successful acquisitions and greenfield developments. The Company's Power Generation Plants currently in operation have a total capacity of 34.4GW (gross) or 20.9GW (net), while its power generation capacity still under different stages of construction is 4.5GW (gross) or 1.4GW (net).

The Company operates its business through a portfolio management approach, which involves maintaining a balance in the portfolio in terms of geographic location, fuel diversity, technology and contract type.

The Company is headquartered in London and, for reporting purposes, it organises its business in five segments: North America, Europe, the Middle East, Australia and Asia. The Company operates regional support offices in each of these regions.

Critical Accounting Policies

As required pursuant to the Prospectus Directive, International Power has restated its historical audited consolidated financial statements for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 and its historical interim consolidated financial statements for the six months ended 30 June 2010 to present the historical financial information in such financial statements on a basis consistent with: (i) the GDF SUEZ Energy International Financial Information, and (ii) that which will be adopted in International Power's first published annual or interim consolidated financial statements which have a reporting period which ends after the date of Closing, having regard to the accounting standards and policies and legislation applicable to such financial statements. The International Power consolidated financial statements which have a reporting period which ends after the date of Closing will be presented in accordance with the accounting policies of GDF SUEZ. For a discussion of critical accounting policies that have been applied in the preparation of the Restated

Consolidated Financial Information, see Part 6 (*Operating and Financial Review relating to GDF SUEZ Energy International Division – Operating and Financial Review – Critical Accounting Policies*).

International Power has prepared its Restated Consolidated Financial Information in compliance with IFRS as adopted by the European Union (''**IFRS**''). As such, International Power's Board is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the periods presented and the related disclosure of contingent assets and liabilities.

On an ongoing basis, the International Power Board evaluates its estimates using previous experience, consultation with experts and other methods considered reasonable in the particular circumstances to ensure full compliance with IFRS and best practice. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Key Factors Affecting the International Power Group's Business

The International Power Group's results of operations are driven by a combination of factors affecting the independent power industry, including, without limitation, general economic conditions, prices of electricity and fuel commodities, supply and demand for power, regulation and environmental legislation in the markets in which the International Power Group operates. The International Power Group's results of operations are also impacted by company-specific and operational factors such as plant reliability and efficiency, management of fixed and variable operating costs, management of working capital, including collection of receivables, and the extent to which the International Power Group's Power Generation Plants have hedged their exposure to currency and commodity prices. For most of the International Power Group's Power Generation Plants, the most crucial factors are the current market price of electricity and the marginal costs of production. Growth in the International Power Group's business is largely driven by its ability to secure new PPAs, expanding capacity in its existing Power Generation Plants and building or acquiring new Power Generation Plants. In addition to these drivers, as explained below, the International Power Group also has exposure to currency exchange rate fluctuations. Set out below is an overview of the key drivers that have affected International Power's historical consolidated results of operations and are expected to affect its future results of operations.

Cyclical Nature of Electricity Industry

International Power's industry, particularly where merchant markets operate, is cyclical in nature. Different countries and geographic regions in which the International Power Group operates have their own demand-supply cycles and there is no single global cycle. The International Power Group seeks to restrict the impact of the cyclical nature of the industry through the diversity of its Power Generation Portfolio in terms of geographic location, type of fuel, output contract type and exposure to both mature and developing economies.

Effect of Market Prices in Merchant Markets

A significant portion of the power the International Power Group generates is sold to customers in wholesale or merchant markets at prevailing market prices. During the three years ended 31 December 2009 and the first half of 2010, the International Power Group sold the majority of its output from its Power Generation Plants in North America, Australia and the United Kingdom on a merchant basis. Merchant sales are exposed to price fluctuations. The most crucial factors affecting the performance of merchant Power Generation Plants are the current market prices of electricity and the marginal costs of production. The International Power Group's trading operations can limit this exposure by entering into options, forward power sale agreements and fuel purchase contracts, known as hedges that fix the gross margin at which the International Power Group sells output over the contracted period. In addition, the International Power Group may be able to utilise the peak load flexibility of a number of its plants, to take advantage of favourable price opportunities as they arise.

Ability to Enter into PPAs

The International Power Group seeks to enter into long-term contracts for the sale of generation capacity and the purchase of fuel used to produce the electricity that it ultimately dispatches. One of the key factors which affect the International Power Group's growth and its results of operations is its ability to enter into long-term PPAs for the sale of generation capacity. A significant part of the International Power Group's generation capacity is sold under long-term PPAs to wholesale customers. In turn, most of these Power Generation Plants enter into long-term fuel supply contracts or fuel tolling arrangements where the customer assumes full responsibility for purchasing and supplying the fuel to the Power Generation Plants. While these long-term contractual agreements reduce exposure to volatility in the market price for electricity and fuel, the predictability of operating results and cash flows vary by business based on the extent to which a Power Generation Plant's generation capacity and fuel requirements are contracted and the negotiated terms of these agreements.

Fuel costs are a significant component of the operating costs for power generation. The costs associated with the power the International Power Group generates are principally driven by the prices of natural gas and coal. When fuel costs increase, the International Power Group's Power Generation Plants with long-term PPAs are able to pass substantially these costs on to their customers pursuant to fuel pass-through or fuel indexing arrangements. Therefore, in a rising fuel cost environment, the increased fuel costs for these businesses often result in an increase in revenue to the extent these costs can be passed through (though not necessarily on a one-for-one basis). Conversely, in a declining fuel cost environment, the decreased fuel costs can result in a decrease in revenue. Increases or decreases in revenue at these businesses that have the ability to pass through costs to the customer have a corresponding impact on purchases, to the extent the costs can be passed through, resulting in a limited impact on EBITDA, if any. Although PPAs generally allow the International Power Group to pass costs through to offtakers, certain costs associated with related agreements, including operating and maintenance agreements, may not be necessarily passed through.

International Operations

The International Power Group has a diversified international Power Generation Portfolio and this geographic diversification helps it to mitigate risk and limits its exposure to country-specific or regional trends that may adversely affect its results, financial condition or prospects. The International Power Group's presence in emerging market countries gives it access to significant growth opportunities but also exposes it to substantial legal, economic and political risks. At the same time, its presence in several mature developed markets helps it mitigate the exposure associated with its operations in emerging market countries.

The International Power Group's gross margin is also impacted by the fact that in each country in which the International Power Group conducts business, the International Power Group is subject to extensive and complex governmental regulations such as regulations governing the generation of electricity, and environmental regulations which affect most aspects of its business. Regulations differ on a country-by-country basis (and even at the state and local municipality levels), and affect many aspects of its operations and development projects. Its ability to negotiate tariffs, enter into long-term contracts, pass-through costs related to capital expenditures and otherwise navigate these regulations can have an impact on its revenue, costs and gross margin.

Changes in Weather Conditions

Weather conditions affect demand for electricity in the markets in which the International Power Group operates and consequently its results of operations are affected by variations in general weather conditions. Generally, demand for electricity peaks in winter and summer. Typically, when winters are warmer than expected and summers are cooler than expected, demand for energy is lower than forecasted. Significant variations from normal weather where its Power Generation Plants are located could have a material impact on its results of operations to the extent the International Power Group is not protected from exposures to variation in demand through long-term contracts under which the International Power Group is remunerated for capacity, not energy dispatched. In addition, lower than normal wind, rainfall or droughts may affect the technical conditions and adversely affect the optimal operations of its Power Generation Plants. For example, the International Power Group's wind businesses are dependent on adequate wind conditions and inadequate wind could have a material adverse impact on these businesses. Where applicable, effects of weather conditions are described in "*– Results of Operations – Segment Comparative Performance.*"

Operation of the International Power Group 's Power Generation Plants

International Power's consolidated results are materially influenced by the degree to which it operates its Power Generation Plants in order to achieve maximum generation volumes. The International Power Group intends to achieve growth by improving the availability and capacity of the Power Generation Plants while minimising planned and unplanned plant downtime. The number and length of planned outages, undertaken in order to perform necessary inspections and testing to comply with industry regulations and to permit it to carry out any maintenance activities, can impact operating results. When possible, the International Power Group seeks to schedule the timing of planned outages to coincide with periods of relatively low demand for power at the relevant electric generation plant. Likewise, unplanned outages can negatively affect its operating results, even if such outages are covered by insurance.

Another key driver of International Power's consolidated results is its ability to bring new businesses into commercial operations successfully. The International Power Group currently has several projects under construction in a number of countries. The International Power Group's prospects for increases in profitability and cash flows are dependent upon successful completion of these projects on time and within budget.

Capital Expenditure Costs

Capital expenditures are necessary to maintain and/or improve the operating conditions of the International Power Group's Power Generation Plants and meet regulatory and otherwise prudent operating standards. Demand for raw materials and qualified labour in the International Power Group's industry have increased over the last few years. This has led to increases in the costs of construction and maintenance of power generation plants. Future costs will be highly dependent on the cost of components and availability of contractors that can perform the necessary work to maintain and/or improve the International Power Group's Power Generation Plants, as well as changes in laws, rules and regulations which could require it to make capital improvements to its Power Generation Plants.

Foreign Exchange Rate Fluctuations

The International Power Group's presentation currency is sterling. A significant percentage of its sales are derived outside of the United Kingdom and are denominated in multiple foreign currencies. Generally its revenues and expenses related to its Power Generation Plants are denominated in the currency of the market in which each of its Power Generation Plants operates.

The functional currency applicable to each operating company of the International Power Group is generally the currency of the markets in which the relevant company of the International Power Group operates. International Power's consolidated results will be impacted by the strength of sterling as measured, principally, against the U.S. dollar, euro and Australian dollar due to translation effects. To the extent that these foreign currencies strengthen or weaken against sterling, International Power's consolidated results presented in sterling will improve or decline, respectively. In addition to the translation effects of foreign exchange rate fluctuations on the International Power's consolidated results of operations, the International Power Group is also exposed to transactional foreign exchange effects to the extent of mismatches in the currency in which the revenues and expenses of a Power Generation Plant are denominated.

Acquisitions and Disposals in the Three-Year Period 2007-2009 and the Six Month Period ended 30 June 2010

Acquisitions and disposals have an effect on the comparability of the Company's consolidated results. The International Power Group has grown significantly in the last five years, increasing its net operational capacity by more than 5,000MW through both successful acquisitions and greenfield developments. The International Power Group's most significant acquisitions and disposals in the three-year period ended 31 December 2009 and the six month period ended 30 June 2010 were the following:

2009

AIM PowerGen Corporation. In October 2009, International Power Canada Inc. ("**International Power Canada**"), a wholly-owned subsidiary of the Company, completed the acquisition of the entire voting share capital of AIM PowerGen Corporation from Renewable Energy Generation Limited. The purchase price, including contingent consideration and transaction costs, was C$126 million (£73 million). The portfolio is concentrated in Ontario, with 40MW of wind farms in operation at the date of the acquisition, with long-term feed-in tariffs. An additional 40MW was successfully project financed in October 2009. In addition, International Power Canada is seeking feed-in tariff PPAs for additional new capacity.

Hartwell. In October 2009, the Company completed the disposal of its 50% interest in Hartwell, a 318MW gas and oil-fired peaking facility located in Georgia, United States. The net cash proceeds from this disposal, net of cash and cash equivalents disposed of, amounted to £31 million.

International Power Opatovice ("***IPO***"). In November 2009, the Company completed the disposal of its Czech business (i.e. IPO and its interests in its joint ventures Prazska Teplarenska and Energotrans) to the CzechoSlovak investment firm J&T Group for a net consideration of £593 million generating a net cash inflow, net of cash and cash equivalents disposed of (relating to subsidiaries and proportionate share of joint ventures), to the International Power Group of £492 million and a profit on disposal of £427 million. The results of operations of IPO until the consummation of the disposal in November 2009 are included in the Restated 2009 Consolidated Financial Information, which may affect the comparability of International Power's consolidated results for future periods with the results for the year ended 31 December 2009.

2008

Uch Power. In March 2008, the Company acquired an additional 31% shareholding in the Uch Power project and rights to related service fee income payable by the project company. The total cash consideration paid, net of cash and cash equivalents acquired, was US$68 million. Following the acquisition, the Company's total interest in the Uch Power project at that time amounted to 71%.

Turbogás. In June 2008, the Company acquired an additional 40% shareholding in Turbogás-Produtora Energética SA and an additional 27% shareholding in the associated operations and maintenance company Portugen Energia SA for total cash consideration of €127 million. The Company now owns 100% of the share capital of Turbogás-Produtora Energética SA and Portugen Energia SA.

U.S. Peaking Generation Facilities. In July 2008, IPA Central, LLC, a wholly-owned subsidiary of the Company, completed the purchase of 100% of the voting partnership capital of Armstrong Energy Limited Partnership, LLLP, and 100% of the voting share capital of Pleasants Energy, LLC, Troy Energy, LLC and Calumet Energy Team, LLC. These entities between them owned a 1,857MW portfolio of peaking generation facilities (the "**U.S. Peaking Generation Facilities**"), located in the U.S. states of Illinois, Ohio, Pennsylvania and West Virginia, and in the PJM Interconnection, L.L.C. and the Midwest Independent System Operator Inc. markets. The purchase price was US$864 million.

T-Power. In December 2008, the Company acquired a third of the share capital of Tessenderlo Power ("**T-Power**"), a 420MW CCGT greenfield project in Tessenderlo, Belgium, from Advanced Power AG, who were a co-developer in the T-Power project until consummation of the acquisition on 18 December 2008. The Company also agreed to make further equity injections during construction. The plant is being constructed by Siemens AG under a full turnkey EPC contract. Once operational in 2011, the output from the new plant will be sold under a 15-year tolling agreement with a five-year extension option.

Small European wind farms and solar projects. In 2008 International Power acquired the following voting equity share capital for £2 million:

- in July 2008, 100% of the equity share capital of a business which owns 1.6MW of operational solar panels, located in Spain;
- in August 2008, 75% of the equity share capital of the PEG 30MW wind farm under construction in Italy.

2007

Malakoff. In April 2007, the Company completed the disposal of its interest in the Malaysian Malakoff wholesale power generation business to MMC Corporation, resulting in a profit on disposal of £115 million.

New Partnership with Mitsui. In June 2007, the Company completed the formation of a new partnership with Mitsui. The partnership created a common ownership platform for UK assets (excluding Derwent), 75% of which is held by the Company and 25% is held by Mitsui. The partnership further equalised the returns from Paiton, Indonesia. As part of this arrangement, the Company sold a 25% equity interest in Deeside, Rugeley and Indian Queens to Mitsui and acquired an additional 5% equity interest in First Hydro and Saltend. Mitsui provided a £200 million credit facility to support trading activities of the UK assets. The Company also acquired the right to additional returns from Paiton, which were equivalent to 9.2% of Paiton's earnings and cash distributions. The sale and purchase of the interests in the UK assets and Paiton resulted in a net cash payment of £106 million made by Mitsui to the Company.

Simply Energy. In August 2007, the Company completed the acquisition of the remaining 50% of the EA-IPR Retail Partnership from Energy Australia, through its subsidiary International Power (Retail)

Pty Limited, for a purchase price of £56 million. Following the completion of this transaction, the business was renamed Simply Energy.

Maestrale. In August 2007, the Company completed, through wholly-owned subsidiaries, the acquisition of the 636MW Maestrale wind farm portfolio which comprised 581MW in operation and 55MW under construction, for a total cash consideration of £595 million representing a net cash outflow from the International Power Group of £551 million. Maestrale was acquired from private investors connected with the Matrix Group and CJS Capital Partners Limited. The wind farm portfolio is located onshore in Germany and, predominantly, in southern Italy.

Other European wind farms. In 2007, the Company also acquired 100% of the voting share capital or partners' capital of the following businesses: (i) in July 2007, a 16MW operational wind farm, located at Delfzijl-Zuid in the Netherlands; (ii) in September 2007, the 28MW Schkortleben operational wind farm, located in Germany, from e.n.o. energy; (iii) in December 2007, a 15MW operational wind farm, located at Delfzijl-Zuid in The Netherlands; and (iv) in December 2007, the 20MW Karstaedt operational wind farm, located in Germany. The total purchase price for all acquisitions was £50 million.

Segmental Reporting

International Power is a global energy business that focuses on power generation. The international operations are managed as five separate geographic regions, namely North America, Europe, the Middle East, Australia and Asia, and this reflects the different characteristics within each region. As the International Power Group has historically been structured and managed as five regions, the segment results, assets and liabilities are presented in this way. The accounting policies applied in the presentation of results of the five reportable segments are the same as the accounting policies described in the notes to International Power's Restated Consolidated Financial Information included elsewhere in this Prospectus. All five reportable segments derive their revenue from electricity generation. There is no inter-segment revenue, therefore only revenue obtained from customers external to the International Power Group is presented.

Results of Operations (Six Months Ended 30 June 2010 and 30 June 2009)

Consolidated Results of Operations

Electricity revenue is principally derived from the sale of capacity and energy from contracted and merchant Power Generation Plants.

Purchases principally comprise fuel used for energy production, fuel purchased for resale and other direct operating costs of production such as the cost of carbon certificates.

Personnel costs principally comprise wages, salaries and social security costs of employees, and expenses related to share-based payments and retirement benefits.

Other operating income and expenses principally comprise repairs and maintenance expenses, insurance, rental charges, indirect taxes such as business rates which are not recoverable, and external labour costs.

EBITDA

EBITDA is an abbreviation for earnings before interest, taxes, depreciation and amortisation. It is a measure of income which excludes significant non-cash items, such as depreciation, amortisation, certain movements in provisions and charges for share-based payments. It also excludes those items that are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For example, such items relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts, other than trading instruments, presented in Income from Operating Activities. EBITDA also excludes the International Power Group's share of net income of associates.

In accordance with the policies applied by GDF SUEZ Energy International, and which will be applied by the enlarged International Power in respect of reporting periods which end after Closing, EBITDA also includes the proportionate share of joint ventures' EBITDA.

Current Operating Income

Like EBITDA, Current Operating Income excludes those items that are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For example, such items relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts, other than trading instruments, presented in Income from Operating Activities. The measure includes depreciation, amortisation and provisions and charges related to share-based payments, but it excludes the share of net income of associates.

Revenue and Earnings Trends

The following table shows the revenue, EBITDA and current operating income for the International Power Group for the six months ended 30 June 2010. The financial information has been extracted without material adjustment from the Restated 2010 Condensed Interim Financial Information set out in Part 7 (*International Power Financial Information*) of this Prospectus.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	1,907	1,965	(3)
EBITDA	651	643	1
Depreciation, amortisation and provisions	(195)	(154)	(27)
Share-based payment	(3)	(2)	(50)
Current Operating Income	**453**	**487**	**(7)**

The consolidated EBITDA increased slightly to £651 million in the six months to 30 June 2010 from £643 million in the six months to 30 June 2009.

The weakening of sterling had a positive impact on the results of the Company's overseas operations, compared to the same period in 2009. The impact relates primarily to the translation of the profits of Australian dollar denominated operations.

Segment Comparative Performance

The tables below set out the International Power Group's revenue, EBITDA and current operating income for its five business segments for the periods indicated.

North America

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its North America segment for the periods indicated.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	373	400	(7)
EBITDA	99	96	3
Depreciation, amortisation and provisions	(53)	(32)	(66)
Current Operating Income	**46**	**64**	**(28)**

EBITDA for the segment increased slightly from £96 million in the six months to 30 June 2009 to £99 million in the six months to 30 June 2010.

The International Power Group's peaking plants delivered an improved contribution reflecting higher capacity payments, and the wind assets in Canada, which were acquired in October 2009, made a first-time contribution. The International Power Group's contracted assets in the region, EcoEléctrica and Oyster Creek, operated well and delivered a good financial performance.

In ERCOT, market conditions remained weak. The South Zone, where the Hays plant is located, experienced reduced congestion and lower pricing following some capacity additions. Consequently, the achieved spark spread at Hays was down at US$10/MWh (compared to US$13/MWh for the six months to 30 June 2009), at a load factor of 30% (compared to 55% in the six months to 30 June 2009). Midlothian achieved a spark spread of US$8/MWh, down from US$11/MWh in the first half of 2009, and a load factor of 20% compared to 30% for the same period last year. For the full year, the International Power Group expects Hays to run at a load factor of 35% and Midlothian at 25%. The International Power Group has forward contracted 60% of the expected output of these plants for 2010.

In New England, Bellingham and Blackstone achieved a spark spread of US$28/MWh (US$32/MWh for the six months to 30 June 2009) at a higher load factor of 30%, compared to 20% in 2009, due to warmer weather particularly in May and June. Earnings in New England continue to be underpinned by capacity payments under the Forward Capacity Market. For 2010 the International Power Group has forward contracted 80% of expected output from its New England plants.

Coleto Creek achieved an increased dark spread of US$33/MWh (compared to US$26/MWh for the six months to 30 June 2009), but at a reduced load factor of 65% (compared to 95% for the six months to 30 June 2009) as the plant underwent a major planned outage and successfully completed an upgrade to the steam turbine, improving output by 10MW and heat rate by 2%. Coleto Creek's current operating income for the full year ended 31 December 2009 benefited from a £30 million non-cash write back of fair value provisions made against power contracts in place at acquisition, which are recorded in depreciation, amortisation and provisions, and there is no material write back in 2010. For 2010 the International Power Group expects a load factor of 80% and has forward contracted 95% of expected output.

The peaking plants in PJM and MISO delivered an improved contribution reflecting an increase in capacity payments during the period. The capacity price for the period June 2013 to May 2014 cleared at an improved price of US$27.73/MW-day (compared to US$16.46/MW-day for the previous period) during a capacity auction held in May. This price reflects significant demand side response and a one year delay to an expected transmission line that will increase transmission capacity from west PJM, where the International Power Group's assets are located, to high demand areas in east PJM.

Europe

The table below sets out the International Power Group's revenue, EBITDA and current operating income for its Europe segment for the periods indicated.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	870	1,001	(13)
EBITDA	312	355	(12)
Depreciation, amortisation and provisions	(77)	(83)	7
Current Operating Income	**235**	**272**	**(14)**

EBITDA for the segment decreased from £355 million in the six months to 30 June 2009 to £312 million in the six months to 30 June 2010, primarily due to the disposal of the International Power Group's Czech business and an expected reduction in contribution from First Hydro in the UK.

Rugeley in the UK, where the FGD plant was commissioned in 2009, delivered an increased contribution achieving a dark spread of £58/MWh during the period (compared to £13/MWh in the six months to 30 June 2009) at a relatively low load factor of 35% (compared to 75% in the six months to 30 June 2009). Deeside achieved a spark spread of £12/MWh (£19/MWh in the six months to 30 June 2009), at an increased load factor of 85%, compared to 50% in the first half of 2009 when the plant had a planned C-inspection. Saltend achieved a consistent spark spread of £24/MWh at a slightly higher load factor of 85% (80% in the six months to 30 June 2009), due to its highly contracted position, which was locked-in during the high power price environment in 2008. For 2010 the International Power Group has forward contracted 85% of expected output at Deeside and 95% at Rugeley and Saltend.

In the UK, wholesale prices have been affected by reduced volatility and new CCGT plants coming online. These weaker conditions impact First Hydro's balancing mechanism and trading revenue streams and, as a result, First Hydro's performance was down significantly on the same period in 2009, in line with the International Power Group's expectations. The plant has maintained its ancillary service volumes, and prices in the contracted reserve markets showed some improvement.

Middle East

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Middle East segment for the periods indicated.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	78	76	3
EBITDA	29	30	(3)
Depreciation, amortisation and provisions	(2)	(2)	—
Current Operating Income	**27**	**28**	**(4)**

EBITDA for the segment remained flat, decreasing slightly from £30 million in the six months to 30 June 2009 to £29 million in the six months to 30 June 2010, reflecting consistently high availability levels and good operating performance.

Australia

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Australia segment for the periods indicated.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	488	405	20
EBITDA	196	155	26
Depreciation, amortisation and provisions	(60)	(33)	(82)
Current Operating Income	**136**	**122**	**11**

EBITDA for the segment increased by 26% (4% at constant exchange rates) from £155 million in the six months to 30 June 2009 to £196 million in the six months to 30 June 2010, primarily due to improved performances at Loy Yang B and Simply Energy and the strengthening of the Australian dollar between years.

Improved performances at Loy Yang B and Simply Energy, where customer numbers were higher with improved retail margins, were offset by a lower contribution from Hazelwood due to planned major outages on two units.

Hazelwood's first half load factor was 80% compared to 85% in the first half of 2009, with an achieved price of A$48/MWh (A$46/MWh in the six months to 30 June 2009). The International Power Group has forward contracted 70% of Hazelwood's expected output (at a load factor of 80%) and expects to achieve an average price of AS$43/MWh.

Asia

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Asia segment for the periods indicated.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of pounds)		
Revenues	98	83	18
EBITDA	36	25	44
Depreciation, amortisation and provisions	(2)	(2)	—
Current Operating Income	**34**	**23**	**48**

EBITDA for the segment increased from £25 million in the six months to 30 June 2009 to £36 million in the six months to 30 June 2010, primarily due to strong operational performance.

Other income statement items

	30 June 2010	*30 June 2009*
	(In millions of pounds)	
Current operating income	453	487
Mark-to-market on commodity contracts other than trading instruments	(57)	243
Income from operating activities	396	730
Net financial loss	(171)	(235)
Income tax expense	(49)	(118)
Share in net income of associates	54	87
Net income	230	464
Non-controlling interests	(31)	(70)
Net income group share	**199**	**394**

The mark-to-market on commodity contracts reported in the period amount to a net loss of £57 million before tax principally arising from settlements in the period compared with a gain of £243 million in the six months to 30 June 2009, which primarily related to a reduction in forward prices in the International Power Group's merchant market regions.

The net financial loss, excluding exceptional items and specific IAS 39 mark-to-market movements, is £26 million lower than 2009. The principal driver of the reduction is the pay down of US$769 million of debt secured on five US merchant plants, located in Texas and New England, in December 2009. The net financial loss also includes a net financial gain of £36 million (net financial loss of £11 million in the six months to 30 June 2009) relating to the mark-to-market of the Convertible Bonds.

The underlying consolidated tax charge decreased by £9 million to £58 million (£67 million in the six months to 30 June 2009). The effective rate of tax for the period under discussion (which is measured before exceptional items and specific IAS 39 mark-to-market movements and as a percentage of total tax expense of the International Power Group, including the tax expense of joint ventures and associates, as against total profit before tax of the Company, its subsidiaries, joint ventures and associates) was 22% (25% in the six months to 30 June 2009). As in 2009, the tax rate benefited from the resolution of some historic tax issues. The income tax expense included in the table above includes the tax effects of the mark-to-market on commodity contracts in both periods which was a credit of £9 million in the six months ended 30 June 2010 (six months ended 30 June 2009: charge of £51 million).

Share in net income from associates was impacted by a £15 million impairment to the carrying value of the Derwent plant due to the end of its steam offtake contract in 2011.

Results of Operations (Years Ended 31 December 2009 and 2008)

Revenue and Earnings Trends

The following table shows the consolidated revenue, EBITDA and current operating income for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Restated Consolidated Financial Information set out in Part 7 (*International Power Financial Information*) of this Prospectus.

	2009	2008	% change
	(In millions of pounds)		
Revenues	3,947	3,862	2
EBITDA	1,372	1,173	17
Depreciation, amortisation and provisions	(340)	(248)	(37)
Share-based payment	(7)	(6)	(17)
Current operating income	**1,025**	**919**	**12**

International Power's consolidated EBITDA in 2009 increased by 17% to £1,372 million in 2009 from £1,173 million in 2008. The increase was primarily attributable to stronger performance in Europe and Australia, and improved performance in Asia and the Middle East which helped to offset the lower EBITDA in North America. See "– *Segment Comparative Performance*". In North America, the International Power Group's merchant plants were principally impacted by a reduction in demand and lower gas prices. Given the economic conditions, this slow-down in U.S. power demand was not unexpected and the long-term fundamentals of the International Power Group's markets remain attractive. In the United Kingdom, the International Power Group's strongly forward contracted position helped it to deliver a good performance, notwithstanding weaker underlying market trends. Australia had been largely insulated from the global economic slow-down.

Segment Comparative Performance

The tables below set forth the International Power Group's revenue, EBITDA and current operating income for its five business segments for the periods indicated.

North America

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its North America segment for the periods indicated.

	2009	2008	% change
	(In millions of pounds)		
Revenues	840	1,018	(17)
EBITDA	223	227	(2)
Depreciation, amortisation and provisions	(76)	(37)	(105)
Current operating income	**147**	**190**	**(23)**

EBITDA in North America decreased 2% to £223 million in 2009 compared to £227 million in 2008 (which corresponds to a decrease of 2% at constant currency). Current operating income was principally impacted by weak market conditions and a lower write-back of provisions at the Coleto Creek relating to out-of-the-money power contracts that were in place when the asset was acquired, which is recorded in depreciation, amortisation and provisions. The International Power Group's long-term contracted assets performed well.

In North America, the power sector continues to be dominated by the impact of the recession on both power demand and gas prices. Total demand in the International Power Group's major markets of Texas and New England was down 5% and 6% respectively in 2009 compared to 2008. For these reasons, combined with the impact of lower congestion pricing in South Texas, the performance at Midlothian and Hays was down on 2008. Midlothian achieved a consistent spark spread of US$13/MWh but at a reduced load factor of 30% compared to 40% in 2008. Hays achieved a spark spread of US$14/MWh (2008: US$21/MWh) and load factor of 50% (2008: 65%).

Coleto Creek achieved a dark spread of US$27/MWh, compared to US$30/MWh in 2008, at an increased load factor of 95% (2008: 90%). In 2008 Coleto Creek's full-year current operating income benefited from a £56 million non-cash write back of fair value provisions made against power contracts in place at acquisition. In 2009 this non-cash write back was £30 million. These write backs are included in depreciation, amortisation and provisions.

In New England the achieved spark spread for Bellingham and Blackstone increased from US$19/MWh to US$24/MWh, but at a reduced load factor of 35% (2008: 45%) due to the weak market conditions and lower than average summer temperatures. The long-term PPA at Milford ended in January 2009 and the plant is now participating in the merchant market at reduced spark spreads. Earnings in New England continue to be underpinned by capacity payments under the forward capacity market, where capacity prices have been determined through to May 2013. In 2009 capacity payments accounted for two-thirds of gross margin at Blackstone and Bellingham.

Following their acquisition in July 2008, the four U.S. Peaking Generation Facilities in PJM and MISO made a first full-year contribution. In PJM, capacity prices have been determined through to May 2013, and following the capacity auction in May 2009, the regulator has made certain anticipated changes to the rules that should help counter the unusually large price reduction seen in the last auction.

Europe

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Europe segment for the periods indicated.

	2009	*2008*	*% change*
	(In millions of pounds)		
Revenues	1,940	1,900	2
EBITDA	758	673	13
Depreciation, amortisation and provisions	(159)	(138)	(15)
Current operating income	**599**	**535**	**12**

EBITDA in Europe increased 13% to £758 million in 2009 from £673 million in 2008, reflecting an improved contribution from Rugeley in the United Kingdom, which had an extended outage in 2008, and a strong performance at Saltend, also in the United Kingdom. The International Power Group's contracted plants in Iberia continued to operate well and delivered a consistent financial performance.

In the United Kingdom, EBITDA at Rugeley benefited from the commissioning of flue gas desulphurisation equipment in June, and from a decrease in the cost of carbon. Saltend performed strongly, achieving a spark spread of £25/MWh (2008: £17/MWh) at a load factor of 85%. It benefited from both its highly contracted position, which was locked-in during the high power price environment of 2008, and its ability to capture lower market gas prices for short periods of time. First Hydro delivered a good financial performance. As expected, EBITDA decreased in 2009 compared to 2008, following increased availability of nuclear and coal plant on the UK system. Falling spreads and a major planned outage during the year resulted in Deeside's achieved spark spread reducing from £30/MWh in 2008 to £16/MWh, at a reduced load factor of 65% (2008: 70%).

During 2008 and early 2009, the market in Great Britain experienced exceptionally tight supply/demand conditions, principally driven by plant outages and delays in fitting FGD equipment at coal-fired plants. The International Power Group expects less pressure on the system in 2010 due to reduced demand and higher levels of supply. In the longer-term, plant retirements, general uncertainty on plant reliability, intermittent wind generation, and an uncertain timetable on new-build will put the reserve margin under pressure. Some 12,255MW of coal and oil-fired plant in the United Kingdom has 'opted out' of the Large Combustion Plant Directive and is required to retire by 2016. Depending on running regimes over the next few years, these plants could retire earlier, putting increased pressure on reserve margins ahead of 2016.

In continental Europe operational availability of the wind portfolio has been good, although wind levels and resulting load factors have been lower than long-term averages, particularly in Germany. In Italy, profitability was also impacted by the reduction in oil prices.

The sale of the International Power Group's Czech business to J&T Group was completed in November 2009, and 2009 current operating income includes the benefit of a £31 million dividend paid by Pražská Teplárenská (49% owned by International Power) in July 2009.

In continental Europe, 59% of the International Power Group's net capacity operates under long-term contracts, and the remainder comprises renewable assets which operate in markets with favourable regulatory regimes for renewable generation. Expected plant retirements, unreliable aging generation capacity and an increasing focus on the environment, remain the key industry trends in Europe.

Middle East

The table below sets forth the International Power Group's revenues, EBITDA and current operating income for its Middle East segment for the periods indicated.

	2009	2008	% change
	(In millions of pounds)		
Revenues	152	119	28
EBITDA	56	46	22
Depreciation, amortisation and provisions	(5)	(3)	(67)
Current operating income	**51**	**43**	**19**

In the Middle East, EBITDA increased 22% to £56 million in 2009 from £46 million in 2008. The region benefited from good overall operational performance.

The Middle East markets in which the International Power Group operates have been much less impacted by the general economic recession, and growth prospects remain strong. Demand for power and water continues to grow, reflecting population growth and the continuing diversification of the economies away from their historic dependence on oil.

Australia

The table below sets forth the International Power Group's revenues, EBITDA and current operating income for its Australia segment for the periods indicated.

	2009	2008	% change
	(In millions of pounds)		
Revenues	846	698	21
EBITDA	325	245	33
Depreciation, amortisation and provisions	(89)	(77)	(16)
Current operating income	**236**	**168**	**40**

In Australia, EBITDA increased by 33% to £325 million in 2009 compared to £245 million in 2008 (which corresponds to an increase of 21% at constant currency). This increase was primarily driven by an improved contribution from Hazelwood, strong performance at the Synergen peaking assets, which captured high prices during periods of hot weather, and a solid operational performance across the portfolio.

Hazelwood, which had an unplanned boiler repair outage in 2008, delivered a good operational performance in 2009 with an achieved price of A$45 (2008: A$43) at a load factor of 80% (2008: 75%).

During the first two months of 2009, Victoria and South Australia experienced a major heat wave, causing the most severe bush fires in Victoria in recorded history and all-time record levels of demand and price volatility in the electricity market. The transmission network was under significant strain, and there were two instances of load shedding. Good levels of availability across the International Power Group's portfolio ensured the impact of these events was financially neutral on its business.

Asia

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for the Asia segment for the periods indicated.

	2009	2008	% change
	(In millions of pounds)		
Revenues	169	127	33
EBITDA	47	36	31
Depreciation, amortisation and provisions	(4)	(2)	(100)
Current operating income	**43**	**34**	**26**

EBITDA in Asia increased by 31% to £47 million in 2009 from £36 million in 2008, primarily driven by an increased contribution from Uch in Pakistan. All of the International Power Group's assets in the region delivered a strong operational performance and achieved availability levels above those targeted in their long-term offtake contracts.

Other income statement items

	2009	2008
	(In millions of pounds)	
Current operating income	1,025	919
Mark-to-market on commodity contracts other than trading instruments	311	172
Impairment of property, plant and equipment, intangible assets and financial assets	(95)	(37)
Changes in scope of consolidation	449	(20)
Income from operating activities	1,690	1,034
Net financial loss	(564)	(32)
Income tax expense	(170)	(225)
Share in net income of associates	176	148
Net income	1,132	925
Non-controlling interests	(151)	(91)
Net income group share	**981**	**834**

The £311 million (2008: £172 million) of gains relating to mark-to-market on commodity contracts were primarily attributable to decreases in forward commodity prices in the United Kingdom, United States and Australia.

Impairment of property, plant and equipment, intangible assets and financial assets comprises the impairment of Levanto wind farms by £70 million (based on revised long-term wind forecasts), and the impairment of an investment in Eggborough by £25 million (following an assessment of future cash flows based on current forward market spreads). The impairment in 2008 related to the International Power Group's Milford plant and amounted to £37 million.

The £449 million of changes in scope of consolidation comprise the profit on disposal of International Power Opatovice of £427 million, and the profit on disposal of Hartwell of £22 million. In 2008 a £20 million charge was borne relating to Australian stamp duty arising from the International Power's acquisition of the Loy Yang B and Valley Power plants in 2004.

Income from operating activities, including the foregoing exceptional items and gains on mark-to-markets, rose from £1,034 million in 2008 to £1,690 million in 2009.

Net financial loss increased by £532 million to £564 million in 2009 from £32 million in 2008, primarily due to mark-to-market losses of £109 million (2008: gain of £389 million) relating to the Convertible Bonds and the impact of the weakening of sterling on the translation of interest expense denominated in foreign currencies.

Income tax expense decreased by £55 million to £170 million in 2009 from £225 million in 2008. This income tax expense includes the tax effects of the mark-to-market on commodity contracts and impairments which amount to a charge of £46 million (2008: £159 million). The income tax expense for 2008 also includes a credit of £59 million arising from the acquisition of the portfolio of North America peaking plants, and the resulting recoverability of certain International Power US tax losses for which no deferred tax asset had previously been recognised. The acquisition created significant deferred tax liabilities, against which the tax losses can be offset in future, and hence a deferred tax asset for those losses was recognised. The underlying effective rate of tax (which is measured before exceptional items and specific IAS 39 mark-to-market movements and as a percentage of total tax expense of the International Power Group, including the tax expense of joint ventures and associates, as against total profit before tax of the Company, its subsidiaries, joint ventures and associates) in 2009 was 24%, 3% higher than the rate in 2008. Both 2009 and 2008 have benefited from the resolution of some historic tax issues across the International Power Group. The tax charge for 2009 also reflects the benefits arising from the reduction of deferred tax provisions relating to unremitted earnings of certain foreign operations following the introduction of the UK Finance Act 2009. This legislation introduced the new UK dividend exemption under which certain qualifying dividends from overseas investments will be tax free when received in the United Kingdom after 1 July 2009.

Results of Operations (Years Ended 31 December 2008 and 2007)

Revenue and Earnings Trends

The following table shows the revenue, EBITDA and current operating income for the International Power Group for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Restated Consolidated Financial Information set out in Part 7 (*International Power Financial Information*) of this Prospectus.

	2008	*2007*	*% change*
	(In millions of pounds)		
Revenues	3,862	3,084	25
EBITDA	1,173	1,061	11
Depreciation, amortisation and provisions	(248)	(263)	6
Share-based payment	(6)	(7)	14
Current operating income	**919**	**791**	**16**

The International Power Group's revenue in 2008 increased significantly by 25% to £3,862 million from £3,084 million in 2007. The Company's EBITDA in 2008 also increased significantly by 11% to £1,173 million compared to £1,061 million in 2007. The increase was primarily attributable to strong growth in Australia and North America. Good performance from the European assets, principally First Hydro (which had a record year), helped to offset the impact of the unplanned outage at Rugeley. The International Power Group's plants in the Middle East and Asia operated well, delivering a consistent performance. See " – *Segment Comparative Performance*".

Segment Comparative Performance

The tables below set out the International Power Group's revenue, EBITDA and current operating income for its five business segments for the periods indicated.

North America

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its North America segment for the periods indicated.

	2008	*2007*	*% change*
	(In millions of pounds)		
Revenues	1,018	829	23
EBITDA	227	177	28
Depreciation, amortisation and provisions	(37)	(27)	(37)
Current operating income	**190**	**150**	**27**

EBITDA in North America in 2008 increased to £227 million, from £177 million in 2007, primarily due to much improved contributions from the Hays and Coleto Creek plants in Texas. The International Power Group's contracted assets, EcoEléctrica, Hartwell and Oyster Creek, all performed well and delivered a consistent financial performance.

Hays, in south Texas, benefited from a significantly higher achieved spark spread, which increased from US$10/MWh in 2007 to US$21/MWh in 2008, as a result of higher demand and transmission constraints, particularly during the second quarter of the year. The plant continued to deliver a strong performance in the second half of the year reflecting a high zonal premium, driven by supply constraints. The load factor increased to 65%, from 45% in 2007. At Midlothian, in north Texas, the load factor fell from 55% to 40%, at a slightly reduced spark spread of US$13/MWh (2007: US$14/MWh), due to a relatively cool summer and additional supply from wind generators.

Coleto Creek achieved a dark spread of US$30/MWh at a significantly higher load factor of 90% compared to 75% in 2007, when the plant had a two-month planned outage to install dust emission control equipment.

In New England, the average achieved spark spread for Blackstone and Bellingham increased from US$16/MWh to US$19/MWh but at a reduced load factor of 45% (2007: 60%), mainly due to lower running in the first quarter, and cooler weather during the summer. Earnings in New England continue to be underpinned by capacity payments under the forward capacity market where prices have been determined through to May 2012.

Europe

The table below sets out the International Power Group's revenue, EBITDA and current operating income for its Europe segment for the periods indicated.

	2008	*2007*	*% change*
	(In millions of pounds)		
Revenues	1,900	1,540	23
EBITDA	673	690	(2)
Depreciation, amortisation and provisions	(138)	(149)	7
Current operating income	**535**	**541**	**(1)**

EBITDA in Europe in 2008 decreased slightly to £673 million in 2008 from £690 million in 2007. In the United Kingdom, First Hydro performed particularly well. The region also benefited from a first time full-year contribution from the Maestrale wind farm portfolio and a strong performance at IPO, in the Czech Republic. Together these factors helped offset the impact of the extended outage at Rugeley. The International Power Group's contracted assets in Iberia also delivered good financial and operational performance.

In 2008, the UK power market was impacted by high levels of plant unavailability which was driven by unplanned plant outages at nuclear plants and by extended outages at coal-fired power stations that were undergoing flue gas desulphurisation installation. These factors, together with a particularly high gas price environment in the middle of 2008, resulted in a tight market with increased prices which benefited the International Power Group's plants, particularly First Hydro and Deeside.

First Hydro performed very strongly, benefiting from volatile prices and increased spreads in the short-term market. Deeside was able to benefit from its largely uncontracted position, which enabled it to capture higher short-term spreads at a higher load factor. Saltend continued to operate at a high load factor benefiting from its lower cost of gas, supplied under an indexed gas contract which expires in 2015.

In the Czech Republic, EBITDA increased from 2007 as the business benefited from rising power prices. During 2008, Czech power prices continued to follow German prices which were driven up by strong prices for coal, oil and gas. In addition, reported profits benefited from a significant strengthening of the Czech koruna.

The Maestrale wind farm portfolio delivered a first time full-year contribution, following its acquisition in the second half of 2007. Operational availability of the portfolio had been good; however, wind levels and resulting load factors in 2008 were lower than long-term averages.

Middle East

The table below sets forth the International Power Group's revenues, EBITDA and current operating income for its Middle East segment for the periods indicated.

	2008	2007	% change
	(In millions of pounds)		
Revenues	119	111	7
EBITDA	46	47	(2)
Depreciation, amortisation and provisions	(3)	(3)	—
Current operating income	**43**	**44**	**(2)**

In the Middle East, EBITDA remained flat at £46 million in 2008 compared to £47 million in 2007. However, profit in 2007 included a development fee for the Fujairah F2 project. Although the worldwide economic downturn affected most economies, the Middle East markets had been less impacted due to relatively limited integration into global financial markets.

Australia

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Australia segment for the periods indicated.

	2008	2007	% change
	(In millions of pounds)		
Revenues	698	507	38
EBITDA	245	154	59
Depreciation, amortisation and provisions	(77)	(70)	(10)
Current operating income	**168**	**84**	**100**

EBITDA in Australia increased significantly in 2008 to £245 million from £154 million in 2007, principally reflecting significantly improved contributions from Hazelwood and Loy Yang B. The region also benefited from a strong performance at Synergen, which captured high spot prices during the summer months. The rest of the portfolio performed well and delivered a good financial performance.

Hazelwood, in Victoria, achieved a significantly higher average price of A$43/MWh (2007: A$32/MWh), at a slightly lower load factor of 75%. A strong forward contracted position and good operational performance in the second half of the year helped deliver these results.

Asia

The table below sets forth the International Power Group's revenue, EBITDA and current operating income for its Asia segment for the periods indicated.

	2008	2007	% change
	(In millions of pounds)		
Revenues	127	97	31
EBITDA	36	28	29
Depreciation, amortisation and provisions	(2)	(3)	33
Current operating income	**34**	**25**	**36**

EBITDA in Asia increased from £28 million in 2007 to £36 million in 2008, primarily as a result of an increased contribution from Uch, where an additional 31% stake was acquired in March 2008.

Other income statement items

	2008	2007
	(In millions of pounds)	
Current operating income	919	791
Mark-to-market on commodity contracts other than trading instruments	172	(326)
Impairment of property, plant and equipment, intangible assets and financial assets	(37)	(56)
Changes in scope of consolidation	(20)	289
Income from operating activities	1,034	698
Net financial loss	(32)	(409)
Income tax expense	(225)	60
Share in net income of associates	148	117
Net income	925	466
Non-controlling interests	(91)	(26)
Net income group share	**834**	**440**

The mark-to-market on commodity contracts reported in income from operating activities for the year are gains of £172 million (2007: losses of £326 million), which relate to decreases in forward commodity prices in the United Kingdom, United States and Australia.

Impairment of property, plant and equipment, intangible assets and financial assets comprises the impairment of the Group's Milford plant by £37 million.

The changes in scope of consolidation in 2008 comprises a £20 million charge for Australian stamp duty arising from its acquisition of the Loy Yang B and Valley Power plants in 2004.

Net financial loss decreased by £377 million to £32 million in 2008 from £409 million in 2007, primarily due to £389 million of fair value gains on the Convertible Bonds (2007: loss of £81 million) which were partially offset by £31 million in losses on the mark-to-market of interest rate swaps (2007: loss of £3 million) and due to the impact of interest expense relating to acquisitions made in 2007 and 2008.

Income tax expense increased by £285 million to £225 million in 2008 from a credit of £60 million in 2007. The income tax expense includes the tax effects of the mark-to-market on commodity contracts, impairments and changes in scope of consolidation which amount to a charge of £159 million in 2008 (2007: credit of £123 million). As noted earlier, 2008 also benefited from the recognition of a deferred tax asset for £58 million arising from the recognition of US tax losses following the acquisition of the portfolio of North American peaking plants. The underlying effective rate of tax (which is measured before exceptional items and specific IAS 39 mark-to-market movements and as a percentage of total tax expense of the International Power Group, including the tax expense of joint ventures and associates, as against total profit before tax of the Company, its subsidiaries, joint ventures and associates) in 2008 was 21%, which was 6% lower than the rate in 2007. The International Power Group's tax charge for 2008 also benefited from the resolution of some historic tax issues across the International Power Group, which led to the release of certain provisions relating to prior year tax.

Liquidity and Capital Resources

The financial position of the International Power Group remains strong, with good liquidity and strong cash generation. At 30 June 2010, the International Power Group held cash at the corporate level of £737 million, and £792 million at the project company level. Of the total £1,529 million of cash at 30 June 2010, £602 million was held by the International Power Group primarily to fund maintenance and debt reserves required by project finance agreements or for the issuance of letters of credit, most of which was held at project company level.

Cash Flow Information

The International Power Group's principal source of cash is that generated from operations and distributions from its associates and external financings. The International Power Group funds its development and acquisition projects from a combination of non-recourse project debt, its cash flow from operating activities, equity from project partners, issuance of convertible debt securities and its

Revolving Credit Facility which is primarily used for working capital and bridge funding requirements.

The International Power Group uses its cash to purchase fuel and cover operating expenses, to make capital expenditures for growth and maintenance, to service or refinance its debt and for other purposes in the ordinary course of business. The International Power Group also provides cash as collateral to support its trading operations. In merchant markets, the International Power Group is usually required to provide credit support for its trading operations in the form of parent company guarantees, letters of credit and cash held as security. Fuel and electricity markets periodically experience sharp price movements and when these occur this has an immediate and corresponding effect on the International Power Group's trading credit support requirements, which can be volatile as a consequence. Project development can, on occasions, also require credit support. This support can take the form of parent company guarantees or credit support instruments issued by banks.

A summary of the International Power Group's cash flow for the six months ended 30 June 2010 and 30 June 2009 is set out below:

	30 June 2010	*30 June 2009*
	(In millions of pounds)	
Cash generated from operations before income tax and working capital requirements	667	632
Tax paid	(45)	(19)
Change in working capital requirements	92	44
Cash flow from operating activities	714	657
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(184)	(189)
Acquisition (net of disposals) of entities net of cash and cash equivalents acquired	(19)	(14)
Others	5	35
Cash flow used in investing activities	(198)	(168)
Distribution	(135)	(78)
Increase in/(repayment of) borrowings and debt	78	(112)
Contribution	2	2
Others	(201)	(224)
Cash flow from (used in) financing activities	(256)	(412)
Effect of changes in exchange rates and other	18	(131)
Total cash flow for the period	278	(54)
Cash and cash equivalents at beginning of period	1,251	1,241
Cash and cash equivalents at end of period	1,529	1,187

Cash flow from operating activities increased strongly from £657 million in the six months to 30 June 2009 to £714 million in the six months to 30 June 2010. The majority of this improvement results from the settlement of hedging positions in respect of the UK portfolio. Dividends from associates also increased.

A summary of the International Power Group's cash flow for the years ended 31 December 2009 and 31 December 2008 is set out below:

	31 December 2009	*31 December 2008*
	(In millions of pounds)	
Cash generated from operations before income tax and working capital requirements	1,441	1,242
+ Tax paid	(106)	(95)
Change in working capital requirements	89	(130)
Cash flow from operating activities	1,424	1,017
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(372)	(322)
Acquisitions (net of disposals) of entities net of cash and cash equivalents acquired	469	(490)
Others	42	(21)
Cash flow used in investing activities	139	(833)
Distribution	(305)	(187)
Net increase in borrowings and debt	(792)	310
Contribution	3	59
Others	(464)	(521)
Cash flow from (used in) financing activities	(1,558)	(339)
Effect of changes in exchange rates and other	5	162
Total cash flow for the period	10	7
Cash and cash equivalents at beginning of period	1,241	1,234
Cash and cash equivalents at end of period	1,251	1,241

Cash flow from operating activities for 2009 at £1,424 million was very strong, increasing by £407 million compared to 2008. The increase was primarily due to the increase in profitability and a year-on-year favourable movement in working capital. Working capital improved in 2009 compared to that of 2008 due to reduction in coal stocks at Rugeley, which were built up as a result of FGD construction delays in 2008, a catch-up on the sale of green certificates in Maestrale in 2009 and a reduction in debtors at the end of 2009 in both the United States and the United Kingdom.

Acquisitions (net of disposals) of property, plant and equipment and intangible assets increased by £50 million from £322 million in 2008 to £372 million in 2009, which included a reduction in spend on FGD at Rugeley and an increase in maintenance capex, with a major planned outage at Deeside being the biggest contributor to this increase. Acquisitions (net of disposals) of entities net of cash and cash equivalents acquired principally comprised the net consideration paid for the AIM PowerGen portfolio, and a final payment relating to the acquisition of the International Power Group's share in the T-Power project in Belgium in 2008, less disposal proceeds, net of cash and cash equivalents disposed of, of £523 million related to the sale of the International Power Group's Czech business (including the associated interests in joint ventures), and to the sale of Hartwell in the United States.

A summary of the Group's cash flow for the years ended 31 December 2008 and 31 December 2007 is set out below:

	31 December 2008	*31 December 2007*
	(In millions of pounds)	
Cash generated from operations before income tax and working capital requirements	1,242	1,203
+ Tax paid	(95)	(107)
Change in working capital requirements	(130)	(97)
Cash flow from operating activities	1,017	999
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(322)	(197)
Acquisitions (net of disposals) of entities net of cash and cash equivalents acquired	(490)	(406)
Others	(21)	3
Cash flow used in investing activities	(833)	(600)
Distribution	(187)	(195)
Net increase in borrowings and debt	310	178
Contribution	59	13
Others	(521)	(245)
Cash flow from (used in) financing activities	(339)	(249)
Effect of changes in exchange rates and other	162	19
Total cash flow for the period	7	169
Cash and cash equivalents at beginning of period	1,234	1,065
Cash and cash equivalents at end of period	1,241	1,234

Cash flow from operating activities for the year ended 31 December 2008 was £1,017 million, an increase of £18 million compared to that of 2007. There was an increased working capital requirement for the year principally due to stock building at Rugeley and a reversal of some one-off working capital benefits achieved in 2007.

Acquisitions (net of disposals) of property, plant and equipment and intangible assets increased by £125 million to £322 million reflecting the fitting of flue gas desulphurisation at Rugeley, the west field mine extension at Hazelwood and further construction in the European wind portfolio.

Acquisitions (net of disposals) of entities net of cash and cash equivalents of £490 million in 2008 mostly comprised the four peaking facilities in North America and additional shareholdings in Uch.

Borrowings and Indebtedness

3.75 per cent. Convertible US Dollar Bonds 2023

On 22 August 2003, International Power (Jersey) Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued US$252.5 million 3.75 per cent. Convertible Bonds due 2023 (the "**2023 Convertible Bonds**"). The 2023 Convertible Bonds are unconditionally guaranteed by International Power plc. See paragraph 16.1(g) of Part 12 (*Additional Information*) for more information on the 2023 Convertible Bonds.

The 2023 Convertible Bonds may be redeemed at option of bondholders at their principal amount, together with accrued interest, on 22 August 2013, 22 August 2018 or, following the occurrence of a Relevant Event, as specified in the terms and conditions of the convertible bonds (such as an offer to acquire more than fifty per cent. of the Company's issued share capital).

The terms and conditions of the 2023 Convertible Bonds provide for events of default and undertakings which are customary for securities of this nature, and the holders of the 2023 Convertible Bonds have the right to convert their bonds into Ordinary Shares at any time up to 12 August 2023.

As at 30 November 2010, the principal amount outstanding of the 2023 Convertible Bonds was US$228.3 million.

Unless previously purchased and cancelled, redeemed or converted, the 2023 Convertible Bonds will be redeemed on 22 August 2023 at a redemption price equivalent to their principal amount (together with accrued interest).

3.25 per cent. Convertible Euro Bonds 2013

On 20 July 2006, International Power Finance (Jersey) II Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued €230 million 3.25 per cent. convertible bonds due 2013 (the "***2013 Convertible Bonds***"). The 2013 Convertible Bonds are unconditionally guaranteed by International Power plc. See paragraph 16.1(h) of Part 12 (*Additional Information*) for more information on the 2013 Convertible Bonds.

The 2013 Convertible Bonds may be redeemed at option of bondholders at their principal amount, together with accrued interest, following the occurrence of a Relevant Event, as specified in the terms and conditions of the convertible bonds (such as an offer to acquire more than fifty per cent. of the Company's issued share capital).

The terms and conditions of the 2013 Convertible Bonds provide for events of default and undertakings which are customary for securities of this nature, and the holders of the 2013 Convertible Bonds have the right to convert their bonds into Ordinary Shares at any time up to 10 July 2013.

As at 30 November 2010, the principal amount outstanding of the 2013 Convertible Bonds was €230 million.

Unless previously purchased and cancelled, redeemed or converted, the 2013 Convertible Bonds will be redeemed on 20 July 2013 at a redemption price equivalent to their principal amount (together with accrued interest).

4.75 per cent. Convertible Euro Bonds 2015

On 5 June 2008, International Power Finance (Jersey) III Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued €700 million 4.75 per cent. convertible bonds due 2015 (the "**2015 Convertible Bonds**"). The 2015 Convertible Bonds are unconditionally guaranteed by International Power plc. See paragraph 16.1(i) of Part 12 (*Additional Information*) for more information on the 2015 Convertible Bonds.

The 2015 Convertible Bonds may be redeemed at option of bondholders at their principal amount, together with accrued interest, following the occurrence of a Relevant Event, as specified in the terms and conditions of the convertible bonds (such as an offer to acquire more than fifty per cent. of the Company's issued share capital).

The terms and conditions of the 2015 Convertible Bonds provide for events of default and undertakings which are customary for securities of this nature, and the holders of the 2015 Convertible Bonds have the right to convert their bonds into Ordinary Shares at any time up to 26 May 2015.

As at 30 November 2010, the principal amount outstanding of the 2015 Convertible Bonds was €700 million.

Unless previously purchased and cancelled, redeemed or converted, the 2015 Convertible Bonds will be redeemed on 5 June 2015 at a redemption price equivalent to their principal amount (together with accrued interest).

The Revolving Credit Facility

The Company has available a US$780 million revolving credit facility (the "**Revolving Credit Facility**") with a syndicate of bank lenders led by The Royal Bank of Scotland plc pursuant to the terms of a credit agreement dated 14 July 2009 (the "**Credit Agreement**"). The Revolving Credit Facility may be used for general corporate purposes and is available until 31 October 2012.

The Credit Agreement provides for margins of up to 6.00 per cent. per annum depending on the credit rating of the Company. If an event of default occurs, and only for so long as it is continuing, the applicable margin will be 6.00 per cent per annum for any particular year and in circumstances where such event of default has been remedied or waived, the applicable margin will revert to the appropriate level as set out in the Credit Facility Agreement.

The Credit Agreement contains customary operating and negative covenants, subject to certain agreed exceptions, in particular relating to the project finance indebtedness incurred by members of the International Power Group.

The Credit Agreement further contains customary financial maintenance covenants, which include:

- Cash flow cover ratio: to be equal to or exceed 2:1;
- Net worth covenant: net worth of the Company shall not, at any time, be less than £1,900,000,000;
- Ratio of recourse debt to the aggregate of Company recourse debt and Company net worth: equal to or less than 0.45:1; and
- Ratio of Company restricted recourse debt to the aggregate of Company restricted recourse debt and Company net worth: to be equal to or less than 0.35:1.

The Credit Agreement contains provisions that require the mandatory prepayment of any amounts drawn under the Revolving Credit Facility and the cancellation of the lenders' commitments thereunder upon any change of control of the Company; a change of control will take place in the event that any person acquires control of the Company who did not have such control on the date the Credit Agreement was entered into (for example, as a result of the completion of the Combination). Any waiver of the change of control provisions contained in the Credit Agreement would be likely to require the consent of all of the lenders.

As at 30 November 2010, the Revolving Credit Facility was undrawn and available. It is expected that the Credit Agreement will terminate and amounts drawn thereunder, if any, will be repaid on Admission. From Admission, the Credit Agreement will be replaced by the Financing Framework Agreement (as described below).

See paragraph 16.1(k) of Part 12 (*Additional Information*) for more information on the Revolving Credit Facility.

7.25 per cent. Senior Unsecured Notes 2017

On 11 May 2010, International Power Finance (2010) plc, a direct, wholly-owned subsidiary of the Company, issued €250,000,000 7.25 per cent. senior notes due 2017 (the "**Notes**"). The Notes are irrevocably and unconditionally guaranteed by the Company. See paragraph 16.1(j) of Part 12 (*Additional Information*) for more information on the Notes.

The terms and conditions of the Notes provide for events of default and undertakings which are customary for securities of this nature. The terms and conditions of the Notes also contain provisions for purchase of the Notes in the event of a change of control, whereby International Power Finance (2010) plc or the Company must make an offer to repurchase the Notes, at a purchase price equal to 101 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, if a "Change of Control" (as defined in the terms and conditions of the Notes) occurs. Events constituting a "Change of Control" include, among other things, the consummation of any transaction (such as the Combination) the result of which is that any person or group is or as a result of such transaction becomes, the beneficial owner, directly or indirectly, of a majority of the total voting power of the voting stock of the Company. The Company intends to make an offer to repurchase the Notes following completion of the Combination, in accordance with the conditions of Notes.

As at 30 November 2010, the principal amount outstanding of the Notes was €250,000,000.

Unless previously redeemed or cancelled, the Notes shall be redeemed on 11 May 2017 at their principal amount (together with accrued interest).

IPM (UK) Power Credit Support Facilities

Pursuant to a trading credit agreement entered into on 29 March 2007 (as amended and restated thereafter, the "**Trading Credit Agreement**"), Mitsui & Co., Ltd. ("**Mitsui**") has made available to IPM Energy Trading Limited ("**IPM Energy**"), a subsidiary of the Company, (a) a trading credit support facility for an amount up to £200 million (the "**IPM (UK) Power Credit Support Facility**"), and (b) a £100 million working capital facility (the "**Working Capital Facility**").

The purpose of the IPM (UK) Power Credit Support Facility is to provide credit support (in the form of parent company guarantees and letters of credit) to IPM Energy in connection with its energy trading activities. The Company has agreed to indemnify Mitsui for 75 per cent. (or such other percentage that represents the equity interest of the Company in IPM Energy) of amounts drawn by IPM Energy under, and any other obligations and liabilities of Mitsui towards IPM Energy in connection with, the IPM (UK) Credit Support Facility. Mitsui has also agreed to indemnify the Company for the repayment of 25 per cent. (or such other percentage that represents Mitsui's equity interest in IPM Energy) of the amounts drawn under, and any other obligations and liabilities of the Parent Guarantor towards IPM Energy in connection with, the IPM (UK) Credit Support Facility. As at 30 November 2010, £59.26 million was drawn under this facility.

IPM Energy, which is controlled by the Company, can only draw amounts under the Working Capital Facility if the Company makes available to IPM Energy cash collateral under a cash collateral facility of 75 per cent. (or such other percentage representing the Company's equity interest in IPM Energy) of the aggregate amount drawn under the Working Capital Facility and such cash collateral facility. As at 30 November 2010, there were no amounts drawn under the Working Capital Facility.

The IPM (UK) Power Credit Support Facility and the Working Capital Facility have customary events of default and termination provisions. One of the events of default includes the occurrence of a "Change of Control" which, as defined in the Trading Credit Agreement, would be triggered as a result of the completion of the Combination, providing Mitsui with a termination right under the Trading Credit Agreement. However, it is expected that the IPM (UK) Power Credit Support Facility and the Working Capital Facility will each terminate and any amounts drawn thereunder will be repaid on Admission. From Admission, the Company will fund any credit support which is required in the Financing Framework Agreement (as described below).

Financing Framework Agreement

The Wider GDF SUEZ Group will provide the following committed financings at investment grade rates to the Enlarged International Power Group pursuant to the Financing Framework Agreement:

- Long-term funding for the aggregate financing needs of the Enlarged International Power Group as set out in its annual budget for each financial year;
- Approximately £955 million of long-term funding for the early repayment of certain of the International Power Group's debt facilities;
- Approximately £1,197 million of long-term funding for the repayment of certain of the International Power Group's debt facilities at maturity;
- Up to £550 million of parent company guarantees and letters of credit for the project support and trading credit requirements of the Enlarged International Power Group;
- A £250 million cash pooling arrangement available to fund the Enlarged International Power Group's short-term working capital requirements; and
- A £150 million cash pooling arrangement available to support the Enlarged International Power Group's liquidity requirements for margin calls related to trading activities.

Further details of the terms of the Financing Framework Agreement are set out in paragraph 16.1(f) of Part 12 (*Additional Information*) of this Prospectus.

Borrowing Policies

The Company's financial strategy is to finance its assets by means of limited or non-recourse project financings at the project company or intermediate holding company level, wherever that is practical. The general principle behind non-recourse finance is that the lenders are only entitled to look to certain assets of the borrower and sometimes the shares in the borrower for repayment of their loans and the payment of interest. In relation to the International Power Group's non-recourse project finance, its usual practice is to form a sole purpose company (which may or may not be a subsidiary) for a project, to raise all of the finance necessary for the project through that company and to grant the lenders full security over substantially all assets that the company owns and over the shares the sponsor owns in that company. So long as there is no reason to lift the corporate veil of the project company, there is no recourse through to it as sponsor shareholder. To further insulate the Company from the adverse effects of the non-recourse project financings, the cross-default provisions of the Company's own borrowings do not apply to defaults by project companies, thus safeguarding the non-recourse nature of the project financings. Project revenues are usually paid into a proceeds account of the project company and withdrawals are only permitted to meet operating expenditures, capital expenditures, taxes, payments under the project finance documents and transfers to the various reserve accounts maintained by the project company to fund debt service payments, maintenance and other essential payments. The project company is typically allowed to withdraw surpluses from the proceeds account for its own use or to pay dividends only if it is in compliance with its obligations under the project finance documentation, including in compliance with the various financial maintenance and negative covenants, and only after all other operating costs have been paid in accordance with the order of priority (''waterfall'') established under the terms of the proceeds account. Although the Company is usually required to provide credit and other support to the project company in relation to its trading activities (by way of performance bonds, Company guarantees or other commitments), the Company does not provide, with certain limited exceptions, any credit support for the repayment of the project company's debt obligations. The Company has, from time to time, provided guarantees of obligations of certain project companies incurred under working capital facilities of such project companies, other contingent obligations, and letters of credit or guarantees replacing amounts withdrawn by the Company from debt service reserve accounts held by project companies. These guarantees, letters of credits and other contingent liabilities of the Company have been incurred from time to time for reasons relating to the unique circumstances of the relevant project company or the history of its acquisition or development. The guarantees, bonds and letters of credit of the Company amounted to £884 million as at 30 June 2010.

Compared to corporate debt, non-recourse project finance generally has certain key advantages, including: a clearly defined risk profile; lower funding costs in general; generally, longer tenors; and its ability to enable higher leverage on a project company basis. As part of this strategy, SEA Gas refinanced its existing loan and replaced it with new loans totalling A$425 million with a maximum maturity of October 2012. In addition, the Company inherited non-recourse facilities of C$154 million in relation to the acquisition of AIM PowerGen Corporation and used part of the disposal proceeds from the Czech business to repay in full the non-recourse debt associated with the U.S. CCGT fleet of US$769 million in December 2009. In January 2010, Hazelwood Power Partnership merged two existing loans into a single new loan totalling A$742 million with a new maturity of June 2012. None of the International Power Group's existing borrowings become due and payable in 2010 or 2011 (except scheduled amortisation payment and working capital facilities which are renewed annually in the normal course of business).

At 30 June 2010 the International Power Group had borrowings and debt of £6,911 million denominated principally in U.S. dollars, Australian dollars, sterling, euro, Canadian dollars and Thai baht. Of this amount only £1,013 million was recourse at corporate level and £5,898 million was non-recourse. Aggregate debt financing with carrying amounts of £609 million are due for repayment in the next 12 months.

During 2009 Standard & Poor's, Fitch, and Moody's reviewed the credit rating at corporate level. Standard & Poor's upgraded their rating to BB, from BB- with stable outlook in November 2009. Fitch concluded their review in February 2010 and maintained their rating of BB with stable outlook. Moody's maintained their rating of Ba3 with stable outlook. Following the announcement of the Combination on 10 August 2010, both Standard & Poor's and Fitch placed their ratings on positive watch and Moody's placed their rating on review for possible upgrade.

In relation to interest rates, the International Power Group policy is to fix interest rates for a significant portion of the debt (73% as at 30 June 2010) using forward rate or interest rate swap agreements. Turbogas's interest cost is a pass-through in the PPA tariff and is therefore not an exposure to the International Power Group. Adjusting for this item would increase fixed rate debt to 77%. The International Power Group has limited exposure to changes in interest rates as variable rate debt is similar in size to variable rate cash and cash equivalents. Significant interest rate management programmes and instruments require specific approval of the board of directors. The weighted average interest rate of aggregated debt financing was 6% in 2009. Where project finance is utilised, the Company's policy is to align the maturity of the debt with the contractual terms of the customer offtake agreement.

Capitalisation and indebtedness

Capitalisation

The following table shows the capitalisation of the International Power Group as at 30 June 2010 (based on the Restated 2010 Condensed Interim Financial Information):

	As at 30 June 2010 (unaudited)
	In millions of pounds
Shareholders' equity – group share as at 30 June 2010	
A. Share capital	761
B. Share premium	438
C. Other reserves	3,381
Total	**4,580**

(1) Since 30 June 2010, there has been no material change in the capitalisation of the International Power Group.

(2) Included in the "Other reserves" line item is "net income – group share" of £199 million for the six months ended 30 June 2010 and total retained earnings, as at 30 June 2010, of £2,412 million.

Indebtedness

The following table shows the indebtedness of the International Power Group as at 30 September 2010 based on the unaudited management accounts at that date:

	As at 30 September 2010 (unaudited)
	In millions of pounds
1. Indebtedness as at 30 September 2010	
Current financial debt	**560**
Guaranteed	—
Secured	532[(1)]
Unguaranteed and unsecured	28
Non-current financial debt (excluding current portion of long-term debt)	**6,586**
Guaranteed	—
Secured	5,372[(1)]
Unguaranteed and unsecured	1,214
2. Net financial indebtedness as at 30 September 2010	
A. Cash	489
B. Cash equivalents	1,128
C. Financial assets at fair value through income	—
D. Liquidity (A+B+C)	**1,617**
E. Current portion of loans and receivables	**64**
F. Current bank debt	—
G. Current portion of non current debt	559
H. Current other financial debt	1
I. Current financial debt (F+G+H)	**560**
J. Net current financial funds (I-E-D)	**(1,121)**
K. Non-current bank debt	4,661
L. Bonds issued	1,739
M. Non-current other financial debt	186
N. Non-current portion of financial leases	—
O. Non-current financial debt (K+L+M+N)	**6,586**
P. Net financial debt excluding impact of debt derivatives qualifying as hedges (J+O)	**5,465**
Q. Debt derivatives qualifying as hedges and cash collateral	248
R. Net financial debt including impact of debt derivatives qualifying as hedges (P+Q)	**5,713**

(1) These amounts represent the financial debt incurred by the International Power Group which is secured through the pledge of property, plant and equipment, the pledge of ownership interests in companies or the pledge of other assets.

Indirect indebtedness comprises financial guarantees given by entities within the International Power Group in respect of the financial obligations incurred by project companies consolidated under the equity method within the consolidated financial statements of International Power. These guarantees constitute off balance sheet commitments. As at 30 September 2010, indirect indebtedness amounted to £59 million.

Off Balance Sheet Arrangements

The Company's associates have various growth and expansion projects that are supported by bonds, letters of credit and guarantees. The Company's share of these bonds, letters of credit and guarantees amount to £44 million as at 30 June 2010 (31 December 2009: £43 million). These obligations are normally secured by the assets of the respective associate.

Quantitative and Qualitative Disclosures about Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to changes in commodity prices in the merchant markets in which the Company operates, interest rates, and foreign currency exchange rates. A significant number of the International Power Group's Power Generation Plants operate without PPAs and are, therefore, vulnerable to market forces which determine the price and amounts of power sold and fuel purchased. In particular, the majority of its Power Generation Plants in the United Kingdom (within its Europe region), North America and Australia operate on a merchant basis.

Energy Trading and Market Risk

A significant number of the Power Generation Plants in which the International Power Group has an interest operate on a merchant basis without a long-term PPA, and are therefore vulnerable to market forces (including climatic conditions) which determine the price and amounts of power sold, and fuel and emission certificates purchased. In particular, the majority of the International Power Group's Power Generation Plants in the United Kingdom, North America and Australia operate on a merchant basis. In order to limit its exposure to market movements, and depending on trading conditions, the International Power Group forward sells a proportion of its anticipated output and buy the related commodities including fuel, transmission rights, capacity and emission certificates.

Uncontracted output is subject to price and volume volatility. To reduce the impact of this uncertainty, the International Power Group typically operates a "rolling hedge" programme under which the International Power Group increase the proportion of output that is sold forward as the production date approaches. While the International Power Group generally aims to hedge a relatively high proportion of its output for the following year, this strategy is dependent on market conditions. Due to market liquidity considerations, the International Power Group is often unable to hedge high levels of output beyond two years ahead. The International Power Group's strategy is generally to hedge power sales and fuel, and where applicable carbon costs at the same time (a matched position). The International Power Group does at times run mismatched positions for liquidity or commercial purposes. This potential exposure is addressed in its trading policies, which limit the potential impact of these trading strategies. In addition to asset-backed trading, the International Power Group carries out some proprietary trading (trading not linked to the expected output of its power plants). The International Power Group's non-asset-backed trading activities have strict risk limits and controls and any exposures are correspondingly small.

The International Power Group hedges exposures that arise from the ownership and operation of Power Generation Plants and related sales/purchases of electricity and fuel by using derivatives and forward contracts to optimise the return achieved from these assets. The International Power Group uses commodity derivative financial instruments to convert floating or indexed electricity and fuel prices to fixed prices. This lessens the International Power Group's vulnerability to movements in prices for the electricity the International Power Group generates and for the fuel the International Power Group consumes in its Power Generation Plants. Commodity derivative financial instruments also provide a way to meet customers' pricing requirements while achieving a price structure consistent with the International Power Group's overall pricing strategy.

The International Power Group's trading operations are carried out subject to global and local policies and procedures. A similar structure is in place in each region covering monetary, volumetric and term limits. Metrics and limits applied to the trading books include value-at-risk, stop/loss, credit, fuel mismatch, term, volume, approved traders and approved products. Position reports are produced on a regular basis for both the trading and plant books.

As the Company no longer applies cash flow hedge accounting to its power and fuel derivative contracts, all fair value gains and losses are recorded in the income statement. the International Power Group coal purchase contracts are typically treated as own use because they are both entered into and continue to be held for the purpose of its electricity production requirements and they are not net settled.

When hedging the output of the International Power Group generation assets, it is the International Power Group's policy to both forward-sell the power and forward-buy the corresponding fuel contemporaneously in order to lock in the 'spread'. The spread is the difference between the cost of fuel to generate a unit of electricity and the price at which that unit of electricity is sold. Spreads are usually expressed in terms of price per MWh. When gas is used as fuel the difference is called 'spark spread' and when coal is used as the fuel it is called 'dark spread'.

From a management perspective, once the spread relating to the future output from a generation asset is forward-contracted, the asset is considered hedged. To the extent that future output has not been forward contracted in this manner it is considered unhedged. Management reviews on an ongoing basis the extent to which generation output is unhedged.

The table below shows the impact on equity and profits of a 20% increase in the forward curves for both electricity sales prices and gas purchase prices as if they had occurred on 31 December 2009. This could be viewed as the opportunity cost of the International Power Group forward contracting if prices had changed in this manner.

In some years markets will be less volatile and in other years they may be more volatile. No sensitivity is applied to coal purchase prices given that such contracts are typically treated as own use.

The following assumptions have been applied in the performance of these sensitivities:

- at 31 December 2009, the International Power Group had no energy-related cash flow hedges and therefore all fair value gains and losses would be recorded in the income statement; and
- commodity contracts that qualify for own use treatment continue to do so, and thus this sensitivity has no impact for these contracts. These typically include coal purchase contracts.

The results are presented net of deferred tax but before minority interests, and in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2007 +/-	*Impact on total equity at 31 December 2007 +/-*	*Impact on profit for the year ended 31 December 2008 +/-*	*Impact on total equity at 31 December 2008 +/-*	*Impact on profit for the year ended 31 December 2009 +/-*	*Impact on total equity at 31 December 2009 +/-*
			In millions of pounds			
20% increase in forward price curves for electricity	(296)	(357)	(259)	(283)	(220)	(234)
20% increase in forward price curves for gas	(52)	(52)	(53)	(48)	(29)	(27)

Because the International Power Group hedges the spark spread, i.e. the sales price of electricity and the cost of gas contemporaneously, there is little net impact on the fair value of the International Power Group derivative contracts to changes in the forward price curves to sell electricity and to purchase gas. However, for the dark spread, where the cost of coal is contracted in advance but is accounted for as own use, only the electricity sales contracts are exposed to fair value gains and losses arising from changes in the forward curves because these are considered commodity derivative financial instruments. This mismatch in accounting treatment predominantly gives rise to the significant net impact on profit and equity arising from increases in forward prices for electricity. Therefore, from an accounting perspective, forward contracting of dark spread at coal plants potentially gives rise to more volatility in earnings. However, to the extent that fair value gains and losses are recorded in any period ultimately they will reverse by the time of delivery.

To the extent that the International Power Group power plants are not already contracted, and spreads increase, it is likely that the future profitability of its coal plants would also improve, because they would contract into the higher dark spreads.

It also means that if plants are unavailable at the point in time at which power should be delivered under the contract, the mark-to-market position represents the anticipated net cost of purchasing power and selling fuel in the markets to fulfil the contractual obligations and in that instance the unrealised fair value gains and losses would become realised.

Interest Rate Risk

Variability in interest payments can introduce volatility into project returns and corporate funding costs. The Company mitigates this risk by fixing borrowing rates, principally by using forward rate or interest rate swap agreements. A limited number of the International Power Group PPAs also have interest rate pass-through mechanisms. Significant interest rate management programmes and instruments require the specific approval of the Board of Directors.

The International Power Group policy is to fix interest rates for up to 75% of its debt portfolio over the medium-to-long term. At individual project company level, it is usually a condition of the non-recourse debt funding that project companies maintain a certain minimum level of fixed rate debt, typically 70%. This complements the International Power Group policy. The overall level of the International Power Group fixed rate debt is monitored and reported to senior management on a monthly basis. Overall, 77% of the International Power Group borrowings were protected from interest rate fluctuations at the end of 2009.

A forward rate agreement is a contract in which one party pays a fixed interest rate and receives a floating interest rate equal to a reference rate specified at the time of entering into the contract. The payments are calculated over a notional amount over a certain period with the differential being settled at the termination date. An interest rate swap is an agreement between two parties to exchange pre-determined interest payments, based on a notional principal amount, over an agreed period of time.

At 31 December 2009, including the impact of 'receive variable: pay fixed' interest rate swaps, £4,950 million or 73% (2008: £5,853 million or 74%) of total debt had fixed interest rates. In 2009 the weighted average interest rate of fixed rate debt, taking into account the effect of 'receive variable: pay fixed' interest rate swaps on floating rate debt, was 7% (2008: 7%). The effect of the International Power Group interest rate swaps effectively replaced £985 million (2008: £893 million) of floating rate Australian dollar borrowings, £1,052 million (2008: £1,471 million) of floating rate U.S. dollar borrowings, £300 million (2008: £334 million) of floating rate sterling borrowings and £794 million (2008: £799 million) of floating rate euro borrowings with fixed rate borrowings. At 31 December 2008, £108 million of floating rate Czech koruna borrowings were also effectively replaced with fixed rate borrowings.

The floating rate financial liabilities comprise bank borrowings bearing interest rates fixed in advance for various time periods up to 12 months by reference to official market rates, e.g. LIBOR.

When the Company uses project finance in companies with PPAs, its policy is to align the maturity of the debt with the contractual terms of the PPA.

The sensitivity analysis below shows the impact of a 100 basis point parallel increase in the interest rate yield curve as if it had occurred at the end of the reporting period.

The following assumptions have been applied in the performance of this sensitivity:

- the impact of this sensitivity has only been recorded for changes in the fair value of derivative financial instruments, which have their fair value gains and losses recorded within the financial statements as the International Power Group does not designate any other financial asset at fair value through profit or loss and these are the only significant financial instruments whose carrying amounts change as a result of changes in interest rates. All other financial instruments are carried at amortised cost and hence no adjustment has been applied;
- no impact is recorded from changes in interest rates on employee benefits (including pensions), provisions and other financial assets and liabilities;
- all qualifying cash flow hedges at 31 December would continue to be fully effective in achieving cash flow hedge accounting; and
- fair value gains and losses on interest rate swaps which do not qualify for hedge accounting as at 31 December are reflected solely in the income statement.

The results are presented net of deferred tax before minority interests and, in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2007 +/-	Impact on total equity at 31 December 2007 +/-	Impact on profit for the year ended 31 December 2008 +/-	Impact on total equity at 31 December 2008 +/-	Impact on profit for the year ended 31 December 2009 +/-	Impact on total equity at 31 December 2009 +/-
	In millions of pounds					
Increase in yield curve by 100 basis point parallel shift	12	55	6	109	6	76

A second sensitivity analysis calculates the impact on profitability of a 100 basis point increase in interest rates on unhedged interest-bearing loans and bonds, i.e. those which are subject to a floating rate of interest, i.e. where there is no 'receive variable: pay fixed' interest rate swap, and on cash balances on which variable rates of interest are earned. The calculation is performed as follows. The year-end cash balance is deducted from the year end unhedged floating rate loans and bonds. The net borrowing is multiplied by 1%. At 31 December 2009 the result of this second sensitivity equated to £1 million before tax (2008: £5 million).

Foreign Currency Risk

The International Power Group operates worldwide which exposes it to foreign currency exchange risks. These relate to translation, transaction and economic risks.

Treasury policy is to hedge a reasonable proportion of the International Power Group translation exposures by borrowing in the same currency as the underlying investment. Any residual translation exposure will result in fluctuating sterling profits and asset and liability movements in the statement of financial position which are not related to underlying business performance. In countries with historically weak currencies the International Power Group aims to have PPA tariffs denominated in a major international currency. This protects future returns from large and rapid devaluations. The International Power Group translation exposure is monitored and reported to senior management on a monthly basis.

For the purposes of preparing the Restated Consolidated Financial Information, the income statement results of the International Power Group foreign operations are translated into sterling at the average exchange rates for the period concerned. The net assets of foreign operations are translated into sterling at the closing exchange rates.

Currency translation exposures comprise the monetary assets and liabilities of the International Power Group that are not denominated in the functional currency of the operating unit involved, other than borrowings treated as hedges of net investments in foreign operations.

In order to hedge the net assets of foreign operations, borrowings are generally in the same currency as the underlying investment. The International Power Group aims to hedge a reasonable proportion of its non-sterling assets in this way. It is not the International Power Group policy to hedge currency translation through foreign exchange contracts or currency swaps.

Currency transaction exposure arises where a business unit makes sales and purchases in a currency other than its functional currency. The International Power Group utilises these exposures, where possible, to hedge existing transaction exposures on sales and purchases through matching. In line with the International Power Group policy any remaining transaction exposures are hedged as soon as they are committed, by using foreign currency contracts and similar instruments. Transaction exposure also arises on the remittance of dividends or surplus funds from overseas. All external currency instruments used to manage transaction exposure are transacted by the International Power Group treasury department or under the guidance of its treasury department. Identification of potential transaction exposures is achieved via a detailed cash flow forecast by local currency which is reviewed and updated on a monthly basis.

The following sensitivity analysis shows the impact of currency translation exposures arising from monetary assets and liabilities that are not denominated in the functional currencies of the Company, its subsidiaries or joint ventures. It shows the impact on the Company's consolidated income statement by changing the year end exchange rate of sterling against all other currencies. To the extent that there are monetary assets and liabilities denominated in sterling in subsidiaries or joint ventures with non-sterling functional currencies, the impact of a change in the year-end exchange rate is determined. To the extent that there are monetary assets and liabilities denominated in non-sterling currencies in the Company, its subsidiaries or joint ventures with sterling functional currencies, the impact of a change in year-end exchange rate is determined.

The following assumptions have been applied in the performance of this sensitivity:

- The results of foreign exchange gains and losses on the retranslation of foreign currency denominated loans, that are treated as net investment hedges, are not recognised within the impact on the International Power Group income statement, as these foreign exchange gains and losses are recorded within other comprehensive income and accumulated in the translation reserve; and
- The exposure on translating the financial statements of subsidiaries, and joint ventures on a proportionate consolidation basis, into the sterling presentation currency of the Restated Consolidated Financial Information are not included in the sensitivity analysis.

The results are presented before tax and minority interests and, in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2007 +/-	*Impact on profit for the year ended 31 December 2008 +/-*	*Impact on profit for the year ended 31 December 2009 +/-*
		In millions of pounds +/-	
10% strengthening of sterling	39	28	59
10% weakening of sterling	(49)	(32)	(66)

PART 6: OPERATING AND FINANCIAL REVIEW RELATING TO THE GDF SUEZ ENERGY INTERNATIONAL DIVISION

The following information should be read in conjunction with the financial information referred to in Part 8 (GDF SUEZ Energy International Financial Information) which has been incorporated by reference into this Prospectus. The financial information set out below and referred to in this Part 6 (Operating and Financial Review relating to the GDF SUEZ Energy International Division) has been extracted without material adjustment from the GDF SUEZ Energy International Division financial information referred to in Part 8 (GDF SUEZ Energy International Financial Information) and which has been incorporated by reference into this Prospectus or from the GDF SUEZ Energy International Division's accounting records which formed the underlying basis of the financial information referred to in Part 8 (GDF SUEZ Energy International Financial Information) which has been incorporated by reference into this Prospectus.

Some of the information contained in this Part 6 (Operating and Financial Review relating to the GDF SUEZ Energy International Division), including information in respect of the GDF SUEZ Energy International Division's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risk and uncertainties. Potential investors should read "Important Information-Forward-looking statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the International Power Group, the GDF SUEZ Energy International Division and, following Closing, the Enlarged International Power Group.

The combined financial statements of the GDF SUEZ Energy International Division are prepared in accordance with the basis of preparation set out in note 1 to the combined financial information referred to in Part 8 (GDF SUEZ Energy International Financial Information) and incorporated by reference into this Prospectus.

Introduction

The following is a discussion of the results of operations and financial condition of the GDF SUEZ Energy International Division as of and for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 and for the six-month period ended 30 June 2010 and 30 June 2009. The information below should be read together with the GDF SUEZ Energy International Division Combined Financial Information referred to in Section B of Part 8 (*GDF SUEZ Energy International Financial Information*) of this Prospectus which has been incorporated by reference into this Prospectus (the "**Combined Financial Information**") and the GDF SUEZ Energy International Division Interim Combined Financial Information referred to in Section D of Part 8 (*GDF SUEZ Energy International Financial Information*) of this Prospectus which has been incorporated by reference into this Prospectus (the "**Interim Combined Financial Information**"). In this Part 6 (*Operating and Financial Review relating to the GDF SUEZ Energy International Division*), all operational indicators (such as installed capacity and electricity production) are presented on a gross basis (consolidated at 100 per cent.) unless stated otherwise.

Operating and Financial Review

Overview

The GDF SUEZ Energy International Division is an international provider of electricity and gas. It comprises assets located in North America, Latin America, the Middle East and Asia, and certain assets located in the UK and Turkey. The GDF SUEZ Energy International business areas of GDF SUEZ are responsible for the GDF SUEZ Energy International Division's activities outside Continental Europe and Russia, in particular electricity generation and energy supply. The main activities of GDF SUEZ entities in the UK included in the GDF SUEZ Energy International Division are the production and sale of energy. The main activities of GDF SUEZ entities in Turkey included in the GDF SUEZ Energy International Division are the distribution and marketing of natural gas. The GDF SUEZ Energy International Division aims to develop and to manage electricity and gas projects and to offer tailor-made energy solutions to industry and commercial customers. Electricity and natural gas are the core businesses of these business areas with activities in electricity production, trading, marketing and sales and, on the gas side, transport, distribution, marketing and sales, including LNG regasification terminals.

The GDF SUEZ Energy International Division is the leading global IPP by installed operating capacity with 32.8GW of gross capacity currently in operation and a significant pipeline of committed projects (17.3GW) which includes the hydro plants at Estreito and Jirau in Brazil, the independent power and water plant at Ras Laffan C in Qatar, the gas-fired power plants Barka 3 / Sohar 2 in Oman and the desalination plant Riyadh PP11 in Saudi Arabia. It is a leading electricity retailer for industrial and commercial companies in the US and a major LNG importer in the US (through the Boston and Neptune LNG regasification terminal). It has a balanced asset portfolio in terms of geographic location, fuel mix (including a strong hydro presence) and power off-take contractual positions (as at 30 June 2010, 73 per cent. of its power generation was on contracted terms).

The GDF SUEZ Energy International Division's revenues increased from €6.6 billion in 2007 to €9.3 billion in 2009 while EBITDA increased from of €1.6 billion in 2007 to €2.0 billion in 2009.

Critical Accounting Policies

The GDF SUEZ Energy International Division Combined Financial Information referred to in Section B of Part 8 (*GDF SUEZ Energy International Financial Information*) and the Interim Combined Financial Information referred to in Section D of Part 8 (*GDF SUEZ Energy International Financial Information*) of this Prospectus, each of which is incorporated by reference into this Prospectus, reflect the combination of the GDF SUEZ Energy North America, Energy Latin America and Energy Middle East and Asia entities together with entities in the UK and the gas distribution activities in Turkey.

Prior to the Combination, the GDF SUEZ Energy International Division has not, and will not, comprise a separate legal group.

As described in note 1 of the Combined Financial Information (for the years ended 31 December 2007, 2008 and 2009) and note 1 of the Interim Combined Financial Information (for the six month period ended 30 June 2010), the Combined Financial Information and the Interim Combined Financial Information were prepared in the context of the proposed combination of GDF SUEZ Energy International Division and International Power. Therefore, this combined financial information reflects the entities, assets and liabilities that will be carved out from GDF SUEZ pursuant to the terms of the Combination.

The basis of preparation of the Combined Financial Information and the Interim Combined Financial Information, including the basis of combination, is detailed in note 1 to each of the Combined Financial Information and the Interim Combined Financial Information. They describe how International Financial Reporting Standards as adopted by the European Union have been applied in preparing the combined financial information. As IFRS's as adopted by the European Union do not provide for the preparation of combined financial information, the GDF SUEZ Energy International Division has developed combination accounting policies referring to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Some of these accounting policies can be considered departures from IFRS as adopted by the European Union and are described in note 1.1 to each of the Combined Financial Information and the Interim Combined Financial Information.

Because of the conventions used to prepare the Combined Financial Information and the Interim Combined Financial Information, the Combined Financial Information and the Interim Combined Financial Information are not necessarily identical to consolidated financial statements that would have been issued if the GDF SUEZ Energy International Division had operated as a separate group in the past. Further, they do not take into account potential consequences of the carve-out transaction, such as any potential tax consequences of any future financial transaction or potential parent company equity contribution.

The preparation of combined financial information requires management to make certain judgements to define the appropriate accounting policies when applying IFRS and make estimates that affect results of operations and the reported amounts of assets and liabilities in the financial statements. Due to uncertainties that are inherent in the estimation process, the GDF SUEZ Energy International Division aims to revise, at the time of each relevant reporting date, its estimates in light of currently available information. Final outcomes could differ from these estimates. The GDF SUEZ Energy International Division's estimates, business plans and discount rates used for impairment tests and for calculating provisions take into account conditions as a result of the recent world economic crisis and the resulting extreme market volatility. GDF SUEZ Energy International Division's significant accounting policies are described in note 1 to each of the Combined Financial Information and the Interim Combined Financial Information. The following policies represent those that have been determined by the GDF SUEZ Energy International Division to be particularly important to the financial statements and which require the use of estimates and assumptions and relate to matters that are inherently uncertain.

Measurement of the fair value of assets acquired and liabilities assumed as part of business combinations

The key assumptions used to measure the fair value of assets acquired and liabilities assumed as part of business combinations notably include estimated future electricity and gas prices, replacement costs for property, plant and equipment, the market outlook for the measurement of future cash flows, and the applicable discount rate.

These assumptions reflect the management of GDF SUEZ Energy International Division's best estimates.

Recoverable amount of goodwill, property, plant and equipment and intangible assets

The recoverable amount on goodwill intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets.

Impairment tests on goodwill are carried out annually, or more frequently where an indication of impairment is identified. Impairment tests are carried out at the level of, or groups of CGUs, which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other CGUs or groups of CGUs.

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. They are tested for impairment at the level of the individual asset or CGU as appropriate, determined in accordance with IAS 36.

The recoverable amount (the higher of its fair value less costs to sell and its value in use) of the CGU is compared to its carrying amount. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. The GDF SUEZ Energy International Division has used the assumptions and inputs that it deems appropriate to determine the recoverable amount but these assumptions and inputs are subject to judgement. The most significant inputs are extracted from the GDF SUEZ Energy International Division's medium-term business plans. The assumptions regarding discount rates have been based on the specific characteristics of the operating entities concerned. Terminal values have been determined in line with the available market data specific to the operating segments concerned. If the carrying value exceeds the recoverable amount, the carrying value is written down to the recoverable amount by recording an impairment loss.

Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses already booked.

Estimates of provisions

Parameters having a significant influence on the amount of provisions include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of expenditure. These parameters are based on information and estimates deemed to be appropriate by the GDF SUEZ Energy International Division at the current time.

There is no information available to the GDF SUEZ Energy International Division that suggests that the parameters used taken as a whole are not appropriate. Furthermore, there have not been any developments that are likely to have a material impact on the provisions booked.

Fair value of derivative financial instruments

The best indication, of a contract's fair value is the price that would be agreed between knowledgeable, willing parties in an arm's-length transaction (IAS 39, paragraph 9). On the transaction date, fair value generally corresponds to the transaction price. Subsequently, fair value is determined based on or derived from observable market data, which provides the most reliable indication of a change in the contract's fair value.

More specifically, valuations for derivative financial instruments are based on the following hierarchy of valuation methods[11]: (i) prices quoted on an organised market, (ii) prices obtained from other external sources such as brokers or over the counter third parties and (iii) valuation models and other techniques usually applied by market participants. The valuations also include adjustments to account for counterparty credit risk and liquidity of the market, which are based on the bid-ask price. The GDF SUEZ Energy International Division has consistently applied this valuation methodology for each reporting period presented. A more detailed discussion on fair value calculations and credit risk

11 The "hierarchy" of valuation methods is an IFRS concept and it prescribes how derivative financial instruments should be valued and which method should be used. Method (ii) should only be used if it is not possible to use method (i) and method (iii) should only be used if it is not possible to use either methods (i) or (ii).

is reflected in note 15 to the Combined Financial Information and note 11 to the Interim Combined Financial Information.

Market valuations, in particular those which are not based on readily available, quoted market prices, include an inherent element of uncertainty. This uncertainty increases with the duration of the underlying contracts and with situations where liquidity of the underlying market is limited due to low trading volumes. Market valuations can also significantly differ from the actual gains and losses that will be realised upon maturity of the contract because of changes in market conditions or because of particular events such as amendments to the underlying contract. More generally, any changes to the facts and circumstances regarding market conditions and underlying assumptions for valuation purposes could significantly affect our operating results.

Measurement of deferred tax assets arising from tax losses carried forward

Deferred tax assets are recognised on tax losses carried forward when it is expected that taxable profits will be available against which the carried forward tax losses could be utilised. Estimates of taxable profits, and estimates as to how carried forward tax losses could be utilised, were prepared on the basis of earnings forecasts as included in the medium-term business plan.

Documentation of the own use exemption

Most of the commodity contracts that the GDF SUEZ Energy International Division has entered into in the ordinary course of business meet all of the required criteria for a derivative as defined under IAS 39. However, many of these contracts are designated and documented as own use contracts; consequently, they are excluded from the scope of IAS 39 and accounted for at cost. As a result, any price volatility inherent in these contracts is not reflected in the GDF SUEZ Energy International Division's operating results, since unrealised gains and losses on these contracts are not recorded. If the conditions and criteria to apply such an exemption were modified because of future interpretations or actions from the IASB, the impact on the GDF SUEZ Energy International Division's financial position and its future operating results could be significant.

Concession arrangements

The GDF SUEZ Energy International Division exercises judgement in determining the accounting treatment applicable to concession arrangements and whether the concession arrangement under analysis falls within the scope of IFRIC 12. In this respect, GDF SUEZ Energy International exercises judgement in assessing the control exercised by the concession grantor over the services provided and the concession infrastructure. Concession infrastructures that do not meet the requirements of IFRIC 12 are accounted for as property, plant and equipment.

In respect of the arrangements falling within the scope of IFRIC 12, the GDF SUEZ Energy International Division may also be required to exercise its judgement in some situations to determine whether the intangible asset model or the financial asset model shall be applied. The intangible asset model is applied when the concession operator has the right to charge for the use of the public sector asset and when users have primary responsibility to pay the operator for the services. The financial asset model is applied when the concession operator has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of a guarantee provided by the grantor for amounts receivable from users of the public sector asset or when the grantor is primarily responsible for payment.

Accounting for arrangements that contain a lease

The GDF SUEZ Energy International Division exercises judgement in determining whether arrangements that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments fall within the definition of IFRIC 4. Judgement is also exercised to determine whether contracts falling within the definition of IFRIC 4 should be identified as either operating leases or finance leases. With respect to a finance lease, a finance receivable should be recognised to reflect the financing deemed to be granted by the GDF SUEZ Energy International Division where it is considered as acting as lessor and its customers as lessees.

The classification of arrangements which contain leases generally arise with respect to certain energy purchase and sale contracts, particularly where the contract conveys to the purchaser of the energy an exclusive right to use a production asset.

Key Factors Affecting the GDF SUEZ Energy International Division business

The GDF SUEZ Energy International Division's results of operations are driven by a combination of factors affecting its operations, including, without limitation, general economic conditions, prices of electricity and fuel commodities, supply and demand for power and gas, and regulation and environmental legislation in the markets in which the GDF SUEZ Energy International Division operates. Its results of operations are also impacted by company-specific and operational factors such as plant reliability and efficiency, management of fixed and variable operating costs, management of working capital, including collection of receivables, and the extent to which the GDF SUEZ Energy International Division has hedged its exposure to currency and commodity prices. For most of the power generation assets, the most crucial factors are the current market price of electricity and the marginal costs of production. Growth in the GDF SUEZ Energy International Division's business is largely driven by its ability to secure new PPAs, expanding capacity in the GDF SUEZ Energy International Division's existing power generation assets and building or acquiring new power generation assets. In addition to these drivers, as explained below, the GDF SUEZ Energy International Division also has exposure to currency exchange rate fluctuations.

Set out below is an overview of the key drivers that have affected the GDF SUEZ Energy International Division's historical results of operations and are expected to affect its future results of operations.

Operating and economic environment

- Operation of the GDF SUEZ Energy International Division's power generation assets and development of new projects

  The GDF SUEZ Energy International Division's results of operations are materially influenced by the degree to which it operates the power generation assets in order to achieve maximum generation volumes. The GDF SUEZ Energy International Division expects to achieve future growth on various major industrial asset construction projects, such as gas and electricity plants or seawater desalination facilities.

  The GDF SUEZ Energy International Division develops some of its operations in partnership with local authorities and private local operators. These partnerships constitute one of the ways in which the GDF SUEZ Energy International Division can share the economic and financial risks inherent to some major projects, by limiting its capital employed and allowing it to adapt more appropriately to the specific requirements of local markets. In addition, the local regulatory environment may require that such partnerships are established in order for the GDF SUEZ Energy International Division to operate there. Partial loss of operational control may be the result of the GDF SUEZ Energy International Division being able to reduce exposure in terms of capital employed, but this situation is managed contractually on a case-by-case basis.

  The GDF SUEZ Energy International Division intends to achieve growth by improving the availability and capacity of its power generation assets while minimising planned and unplanned plant downtime. The number and length of planned outages, undertaken in order to perform necessary inspections and testing to comply with industry regulations and to permit the GDF SUEZ Energy International Division to carry out any necessary maintenance activities, can impact operating results. When possible, the GDF SUEZ Energy International Division seeks to schedule the timing of planned outages to coincide with periods of relatively low demand for power at the relevant electric generation plant. Likewise, unplanned outages can negatively affect the GDF SUEZ Energy International Division's operating results, even in circumstances where such outages are adequately covered by insurance.

  Another key driver of the GDF SUEZ Energy International Division's results is its ability to bring new businesses into commercial operations successfully. The GDF SUEZ Energy International Division currently has a large number of projects under construction in a number of countries. The GDF SUEZ Energy International Division's prospects for increases in operating results and cash flows are dependent upon successful completion of these projects on time and within budget.

- Capital expenditure costs

  Capital expenditure is necessary to maintain and/or improve the operating conditions of the power generation assets and meet regulatory and other prudent operating standards. Demand for raw materials and qualified labour in the GDF SUEZ Energy International Division's industry have increased over the last few years. This has led to increases in the costs of construction and maintenance of power generation plants. Future costs are likely to be highly dependent on the cost of components and availability of contractors that can perform the necessary work to maintain and/or improve the power generation assets, as well as any future changes in laws, rules or regulations, which could require the GDF SUEZ Energy International Division to make capital improvements to the power generation assets.

- Cyclical nature of the electricity industry

  The electricity industry, particularly the merchant markets in which the GDF SUEZ Energy International Division sells some of its electricity, is cyclical in nature. Different countries and geographic regions in which the GDF SUEZ Energy International Division operates have their own demand-supply cycles and there is no single global cycle. The GDF SUEZ Energy International Division seeks to restrict the impact of the cyclical nature of the industry through the diversity of the power generation asset portfolio in terms of geographic location, type of fuel, output contract type and exposure to both mature and developing economies.

  The effects of the world economic crisis could last longer than anticipated and result in a prolonged slowing of operations among the GDF SUEZ Energy International Division's major customers. This could contribute to a decline in unit or overall demand for energy, thus affecting the GDF SUEZ Energy International Division's business volumes and margins. The GDF SUEZ Energy International Division's considerable geographic and sectoral diversity provides partial protection against this risk.

- Effect of Market Prices in Merchant Markets

  A portion of the power the GDF SUEZ Energy International Division generates is sold to customers in wholesale or merchant markets at prevailing market prices. During 2007, 2008 and 2009 and the first half of 2010, the GDF SUEZ Energy International Division sold part of its output from power generation assets on a merchant basis. Merchant sales are exposed to price fluctuations. The GDF SUEZ Energy International Division carries out transactions on commodities markets that currently expose it to the risk of price fluctuations. The most crucial factors affecting the financial performance of merchant power generation assets are the current market prices of electricity and the marginal costs of production. To guarantee its short-term and long-term supplies and optimise its chain of energy production and sales, the GDF SUEZ Energy International Division carries out forward selling and buying transactions on natural gas, electricity, oil, oil products and coal markets. It is also active on the European greenhouse gas emission trading rights market. These forward selling and buying transactions currently expose the GDF SUEZ Energy International Division to the risk of fluctuations in commodity prices and could create significant volatility in earnings, equity and cash flows from one period to the next. The GDF SUEZ Energy International Division currently uses commodity derivatives in line with a variety of strategies in order to eliminate or mitigate these risks.

- Long term power purchase agreements

  One of the key factors which affects the GDF SUEZ Energy International Division's growth and results of operations is its ability to enter into long-term PPAs for the sale of generation capacity. A significant part of its generation capacity is sold under long-term PPAs to wholesale customers. In turn, most of the power generation assets which have entered into long-term PPAs enter into long-term fuel supply contracts or fuel tolling arrangements where the customer assumes full responsibility for purchasing and supplying the fuel to the power generation assets. While these long-term contractual agreements reduce exposure to volatility in the market price for electricity and fuel, the predictability of operating results and cash flows vary by business depending on the extent to which each power generation asset's generation capacity and fuel requirements are contracted and the negotiated terms of these agreements.

  Fuel costs are a significant component of the operating costs for power generation. The costs associated with the power generated by the GDF SUEZ Energy International Division are principally driven by the prices of natural gas and coal. When fuel costs increase, the power generation assets with long-term PPAs are able to pass substantially all of these costs on to their customers pursuant to fuel pass-through or fuel indexing arrangements. Therefore, in a rising fuel cost environment, the increased fuel costs for these businesses often result in an increase in revenue to the extent these costs can be passed through (though not necessarily on a one-for-one basis). Conversely, in a declining fuel cost environment, the decreased fuel costs can result in a decrease in revenue. Increases or decreases in revenue at these businesses that have the ability to pass through costs to the customer have a corresponding impact on cost of sales, to the extent the costs can be passed through, resulting in a limited impact on gross margin, if any. Although PPAs generally allow the GDF SUEZ Energy International Division to pass costs through to offtakers, certain costs associated with related agreements, including operating and maintenance agreements, may not be necessarily passed through.

Deregulation of electricity and gas markets in Europe and in the US has increased competition for the GDF SUEZ Energy International Division and introduced market price volatility. This may call into question the viability of some of its long-term contracts and open certain service concessions up to competition.

- The renewal of gas transportation contracts

  The revenues of the GDF SUEZ Energy International Division's gas pipeline business are generated under contracts that expire periodically and need to be renegotiated, extended or replaced, thereby exposing the GDF SUEZ Energy International Division to the risk that such contracts are not renewed at all, or are renewed on less favourable terms than those contained in its existing contracts. This could have an adverse affect on the GDF SUEZ Energy International Division's margins and results of operations.

- The regulatory risks associated with gas distribution and sales activities

  The tariffs for the use of the GDF SUEZ Energy International Division's gas distribution networks are in most cases determined through a regulated process, in which the regulator ensures the network operator receives certain profits from the investment and operation of the network. If a regulator makes unfavourable changes to the gas distribution tariffs, such tariffs may not fully cover the GDF SUEZ Energy International Division's investment and maintenance costs.

  Gas sales activities are exposed to gas price variations. The GDF SUEZ Energy International Division may not be able to pass through all operating costs (including the costs associated with the use of networks and the price of gas) to customers. In markets where sales tariffs are regulated, gas price escalation formulae usually have the effect of offsetting this risk. However, the regulator may limit the "pass through" of potential gas price increases to customers, resulting in a potential impact on the GDF SUEZ Energy International Division's margins.

  In addition, as the tariffs are usually determined on a yearly volume forecast, if the gas consumption during the year is lower than forecasted, there is a risk that revenues will not cover the costs. In most cases, a claw-back formula within the tariff setting mechanism allows the gas distributor and sales operator to offset this volume risk. If there is no such claw-back formula the decrease of volumes could have a negative impact on the GDF SUEZ Energy International Division's results of operations.

- Exposure to the volatility and cyclical nature of the price of natural gas and the demand for LNG regasification capacity

  Natural gas prices have been, and are likely to continue to be, volatile and subject to large fluctuations in response to changes in the supply of, and demand for, natural gas, the extent of domestic production and importation of gas in relevant markets, weather conditions, the competitive position of natural gas as compared with other energy sources, and the impact of regulation on the production, transportation and sale of natural gas. Any significant decline in the price of natural gas could have a material adverse effect on the GDF SUEZ Energy International Division's gas business and operating revenues.

  The demand for LNG regasification capacity could be subject to cyclical swings, reflecting alternating periods of under-supply and over-supply of LNG importation capacity and available natural gas. A significant variation in demand for LNG regasification capacity may impact adversely the financial performance of the GDF SUEZ Energy International Division and result in reduced operating revenues.

- Dependence on a limited number of suppliers in some activities

  The GDF SUEZ Energy International Division has entered into long-term contracts with its main suppliers, which has enabled it to develop a broadly-diversified portfolio of long term contracts, especially in terms of geographical spread. The GDF SUEZ Energy International Division also benefits from flexibility and modulation (flexibility of long-term contracts, considerable storage and regasification capacity and purchasing on markets). However, if one of the GDF SUEZ Energy International Division's major suppliers failed to supply it with the required gas over an extended period of time for any reason (including geopolitical, technical or financial), the cost of replacing the gas and transporting it from an alternate location could be substantially higher and would affect the GDF SUEZ Energy International Division's margins, at least over the short term.

Furthermore, the market for turbines and foundry parts for electrical power plants is, by nature, monopolistic and may, from time to time, be competitive and limited. Any interruption or delay in supplies or any failure to comply with the technical performance guarantee for a piece of equipment, even where caused by a contractual breach on the part of a supplier, could impact the profitability of a project, despite the various protective contractual provisions that are in place.

The variety of the GDF SUEZ Energy International Division's businesses and their diverse geographical locations provide partial protection against the risk of failure of a major supplier.

- International operations

  The GDF SUEZ Energy International Division has a diversified international portfolio, with projects and production facilities in emerging market countries, including Brazil, Turkey, the Middle East and Thailand.

  Other risks to which the GDF SUEZ Energy International Division will potentially be exposed by operating in such countries include economic, social, political and governmental instability, high inflation, changes to or inconsistent application of laws, rules and regulations, nationalisation or expropriation of privately-owned assets, payment difficulties, corruption, human rights violations, major interest rate and exchange rate fluctuations (rampant or severe devaluation), adverse changes to tax or withholding tax policy by governments and local authorities, exchange control measures and other unfavourable interventions or restrictions imposed by governments. At present, the GDF SUEZ Energy International Division manages these risks within partnerships or by contractual negotiations adapted to each location and, whenever possible, utilises international arbitration clauses and political risks insurance.

  This geographic diversification also helps the GDF SUEZ Energy International Division to mitigate risk and limits its exposure to country-specific or regional trends that may adversely affect the GDF SUEZ Energy International Division's results of operations, financial condition or prospects. The GDF SUEZ Energy International Division's presence in emerging market countries gives it access to significant growth opportunities but also exposes it to substantial legal, economic and political risks. At the same time, the GDF SUEZ Energy International Division's presence in several mature developed markets helps it mitigate the exposure associated with its operations in emerging market countries.

- Impact of energy sector regulations on the GDF SUEZ Energy International Division's profitability strategy

  Many aspects of the GDF SUEZ Energy International Division's businesses, including electricity production, transmission and distribution, are subject to stringent regulation at the national and local levels regarding competition, licenses, permits and authorisations. Regulatory changes may affect the GDF SUEZ Energy International Division's operations, prices, margins, investments and, consequently, its strategy and profitability.

  The GDF SUEZ Energy International Division's gross margin is also impacted by the fact that in each country in which it conducts business, the GDF SUEZ Energy International Division is subject to a host of laws and regulations that address environmental protection, promote zero or low carbon energy production systems, protect health and develop safety standards. Beyond its contractual precautions, the GDF SUEZ Energy International Division strives to limit all these risks as part of an active environmental policy and by managing an extensive insurance programme.

  Regulations differ on a country-by-country basis (and even at the state and local municipality levels), and affect many aspects of the GDF SUEZ Energy International Division's operations and development projects. The GDF SUEZ Energy International Division's ability to negotiate tariffs, enter into long-term contracts, pass-through costs related to capital expenditures and otherwise navigate these regulations can have an impact on its revenue, costs and gross margin.

  Furthermore, in certain areas, there is an increasing indication of an emergence of state intervention in the energy sector via the regulation and extension of market regulators' controls in the area of competition. This may take the form, in particular, of price controls, the continued existence or the intent to reintroduce regulated tariffs for both gas and electricity at levels incompatible with procurement or production costs, discriminatory measures such as "windfall taxes" on energy operators' profits, regulator intervention in the deregulated market to encourage increased competition or attempts to return control of services to local authorities. Controlling these risks necessarily involves direct negotiation with the relevant national bodies and regulators.

- Changes in Weather Conditions

  Energy businesses, particularly those involved in sales to consumers, are directly affected by changing weather and the broader "climate change" issue. Weather conditions affect demand for electricity in the markets in which the GDF SUEZ Energy International Division operates and consequently its results of operations are affected by variations in general weather conditions. Generally, demand for electricity peaks in winter and summer. Typically, when winters are warmer than expected and summers are cooler than expected, demand for energy is lower, resulting in less demand for electricity than forecasted. Moreover, wind and rainfall patterns may affect the operations of the GDF SUEZ Energy International Division's wind and hydro power generation assets. Significant variations from normal weather where power generation assets are located could have a material impact on the GDF SUEZ Energy International Division's results of operations to the extent it is not protected from exposures to variation in demand through long term contracts under which it sells capacity, not energy dispatched. In addition, lower than normal rainfall or droughts may affect the technical conditions and adversely affect the optimal operations of the hydro power generation assets.

Financial risks

- Commodities market risks

  To try and guarantee its short- and long-term supplies and optimise its production and sales structure, the GDF SUEZ Energy International Division carries out forward selling and buying transactions on natural gas, electricity, oil and coal markets. The GDF SUEZ Energy International Division is also active on the European greenhouse gas emission trading rights market. These transactions expose it to the risk of changes in commodity prices and could create significant volatility in earnings, equity and cash flows from one period to the next. The GDF SUEZ Energy International Division therefore uses commodity derivatives in line with a variety of strategies in order to eliminate or mitigate these risks.

  A US entity within the GDF SUEZ Energy International Division engages in trading activities. These transactions are carried out in compliance with strict risk policies. In this context, the spot or forward transactions concern natural gas and electricity products and are contracted either over-the-counter or on organised markets. The US entity may also offer risk management services to its clients.

  The use of these derivatives is governed by hedging and trading policies approved by the executive management team of GDF SUEZ Energy Europe & International, while any key policy decisions are validated by the GDF SUEZ Energy Market Risk Committee (CRME). Trading and portfolio management teams manage market and counterparty risks in accordance with the objectives and exposure limits set by the executive management teams. These policies were expanded and aligned with the GDF SUEZ Group's market and counterparty risk management strategy as approved by its executive management in April 2009.

  The executive management of GDF SUEZ Energy Europe & International appoints risk control committees according to geographical area which are independent from trading and portfolio management teams. These committees supervise and control risks and strategies in place in order to reduce exposure to changes in commodity prices and to counterparty risk.

  With the exception of trading activities, market risks are assessed in terms of their impact on EBITDA, which is the key financial indicator for managing the GDF SUEZ Energy International Division's performance. The primary risk indicators include sensitivities, EBITDA at risk, hedging ratios and stress tests based on defined negative scenarios. For trading activities, and in accordance with market standards, the risk indicators include sensitivities, Value at Risk (VaR) and stress tests (refer to note 15.2.3 of the Combined Financial Information and note 15.2.4 of the Interim Financial Information for further information).

- Foreign exchange risks

  Foreign exchange risk is managed by GDF SUEZ Energy International Division according to the GDF SUEZ Group's foreign exchange risk policy.

  The GDF SUEZ Energy International Division is exposed to financial statement translation risk due to the geographical spread of its activities: its Combined Statement of Financial Position and Combined Income Statement are impacted by changes in exchange rates upon combination of the financial statements of its foreign subsidiaries outside the Eurozone. Exposure to translation risk results essentially from net assets held by the GDF SUEZ Energy International Division in the US, Brazil, Thailand and the UK.

  The GDF SUEZ Energy International Division's hedging policy for translation risk with regard to investments in non-Eurozone currencies consists of contracting liabilities denominated in the same currency as the cash flows expected to flow from the hedged assets.

  Contracting a liability in the same currency is the most natural form of hedging, although the GDF SUEZ Energy International Division also enters into foreign currency derivatives, which allow it to synthetically recreate foreign currency debt. These include cross-currency swaps, currency swaps and currency options.

  This policy is not applied, however, when the cost of the hedge (corresponding basically to the interest rate of the foreign currency concerned) is too high. This is the case in Brazil where the GDF SUEZ Energy International Division has opted for a type of insurance against a collapse in the value of the Brazilian real (risk of an abrupt temporary decline in the currency value) because of (i) the excessively high interest rate spread, and (ii) the indexation of local revenues. Since 2005, the GDF SUEZ Energy International Division has purchased protection against sovereign risk in the form of credit default swaps.

  An analysis of market conditions is performed on a monthly basis for the US dollar and the pound sterling, and reviewed as appropriate for emerging countries so that any sudden sharp fall in the value of a currency can be anticipated. The hedging ratio of the assets is periodically reviewed in light of market conditions and whenever assets have been acquired or sold. Management must approve in advance any transaction that may cause this ratio to change significantly.

  The GDF SUEZ Energy International Division also uses derivative instruments to hedge its exposure to transaction risk arising on its operating and financial activities (foreign currency loans, borrowings, interest and dividend payments, and foreign currency inflows and disbursements arising from operating activities).

- Interest rate risk

  Interest rate risk is managed by the GDF SUEZ Energy International Division in accordance with the GDF SUEZ Group interest rate risk policy.

  The GDF SUEZ Energy International Division's objective is to control its financing cost by limiting the impact of interest rate changes on its income statement, to do so, it aims to create a balanced distribution among the various reference rates over the medium term (generally approximately five years). The GDF SUEZ Energy International Division's policy is therefore to diversify the net debt reference rates among fixed, variable and protected variable ("capped variable") rates. The equilibrium allocation may change based on the market context, as it did in 2009. At that time, given the very sharp drop in long-term euro and US dollar interest rates, the GDF SUEZ Energy International Division increased the fixed rate hedging ratio and increased the duration of its hedges to lock in these attractive rates over the medium term.

  To manage the interest rate structure of its net debt, the GDF SUEZ Energy International Division uses hedging instruments, including primarily swaps and interest rate options.

  Interest rate positions are reviewed quarterly at the GDF SUEZ Group level and at any time any new financing is raised. Any substantial change in the interest rate structure requires prior approval from the GDF SUEZ Group's corporate finance department.

  Sensitive analyses on the impact of a +/-1 per cent. change in interest rates are presented in note 15.1.4.4 to the Combined Financial Information and note 15.1.5 to the Interim Combined Financial Information respectively.

- Counterparty risk

  The GDF SUEZ Energy International Division's operational, financing and investing activities are exposed to insolvency risks when its counterparties (customers, suppliers, intermediaries, and banks) are unable to honor their contractual obligations.

  Counterparty risk is managed by GDF SUEZ Energy International Division according to the GDF SUEZ Group's counterparty risk policy.

Operational activities

Counterparty risk is governed by the hedging policies approved by the executive management team of GDF SUEZ Energy Europe & International. These policies were expanded and aligned with the GDF SUEZ counterparty risk management policy as approved by its executive management in April 2009, which requires each of the GDF SUEZ Group's main energy counterparties to be assigned a credit rating.

The executive management team of GDF SUEZ Energy Europe & International appoints risk control committees according to geographical area which are independent from the operational business function. These committees supervise and control the risks and the strategies in place to reduce the business line's exposure to counterparty risk. Compliance with GDF SUEZ Energy Europe & International's hedging policies is verified on a regular basis. Counterparty risk management is reinforced by second-tier controls carried out by the GDF SUEZ finance division. The GDF SUEZ Energy International Division's exposure to its main energy counterparties is consolidated and monitored on a quarterly basis within the scope of the GDF SUEZ Energy Market Risk Committee (EMRC), which also ensures that the exposure limits set for these counterparties are respected.

Counterparty risk arising on trading and portfolio management activities and industrial customers consuming large quantities of energy (more than 150GWh/year for gas and 100GWh/year for electricity) is consolidated by the GDF SUEZ Energy International Division and broken down into two main sources of risk:

- payment risk, corresponding to unpaid physical deliveries of energy (energy delivered but unbilled, energy billed but unpaid, and energy delivered before cut-off); and
- replacement risk, corresponding to the cost of replacing a contract in default (mark-to-market).

The credit quality of this portfolio is assessed by analysing the concentration of counterparties by rating category.

Financing activities

For its financing activities, the GDF SUEZ Group and the GDF SUEZ Energy International Division have put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalisation) and financial structure, and (ii) risk exposure limits.

The GDF SUEZ Energy International Division also draws on a structured legal framework based on master agreements (including netting clauses) and collateralisation contracts (margin calls).

The oversight procedure for managing counterparty risk arising from financing activities is managed by a department function that operates independently of the GDF SUEZ Group's Treasury department and reports to the GDF SUEZ finance division.

The GDF SUEZ Energy International Division's maximum exposure to counterparty risk is assessed based on the carrying amount of financial assets (excluding available-for-sale securities) and on the fair value of derivatives recognised within assets in its Combined Statement of Financial Position.

Investing activities

The GDF SUEZ Energy International Division is exposed to credit risk arising from investments of surplus cash (excluding loans to non-combined companies) and from its use of derivative financial instruments. Credit risk reflects the risk that one party to a transaction will cause a financial loss for the other party by failing to discharge a contractual obligation. In the case of financial instruments, counterparty risk arises on instruments with a positive fair value.

Additionally, the cash surplus of the combined entities are managed whenever possible with the cash pooling process organised through the GDF SUEZ Group financial vehicles.

- Liquidity risk

  The GDF SUEZ Energy International Division's liquidity is based on maintaining cash and cash equivalents and access to confirmed credit facilities. The GDF SUEZ Energy International Division has determined that these facilities are appropriate for the scale of the GDF SUEZ Energy International Division's operations and for the timing of contractual debt repayments.

  The GDF SUEZ Energy International Division's activities are financed through the central financial vehicles owned by the GDF SUEZ Group, in accordance with GDF SUEZ Group's financing policy. This policy is based on:

  - centralising external financing;
  - diversifying sources of financing between credit institutions and capital markets; and
  - achieving a balanced debt repayment profile.

Acquisitions and disposals during the 6 month period ended 30 June 2010, and the years ended 31 December 2009, 2008 and 2007

The GDF SUEZ Energy International Division's most significant acquisitions and disposals in the years ended 31 December 2009, 2008 and 2007 and in the six month period ended 30 June 2010 were the following:

Six month period ended 30 June 2010

- Acquisition of Astoria

  On 7 January 2010 the GDF SUEZ Energy International Division increased its economic interest from 14.8 per cent. to 65.4 per cent. in the 575MW Astoria Energy I natural gas-fired power plant located in Queens, New York. Following the increase of its interests the GDF SUEZ Energy International Division obtained effective control of the power plant, and it was fully combined in the Combined Financial Information from the date of acquisition. Prior to this acquisition, and since 16 May 2008, the GDF SUEZ Energy International Division's 14.8 per cent. interest in the power plant was accounted for under the equity method in the Combined Financial Information.

  The GDF SUEZ Energy International Division paid the sellers €147.6 million in cash and committed to pay up an additional contingent consideration in the future dependent upon the performance of Astoria Energy I; the fair value of this additional contingent consideration at the date of acquisition is estimated at €8.3 million.

  As of 30 June 2010, the fair values of the acquired identifiable assets and liabilities are preliminary and will be finalised as part of the accounts to be prepared for the Financial Year ended 31 December 2010. As at 30 June 2010, the GDF SUEZ Energy International Division generally recognised certain items of property, plant and equipment at their fair value. Fair values were primarily determined by applying the method of discounted cash flows.

  A provisional goodwill of €6 million has been recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

  The impact of re-measuring the previously held equity interest to fair value is not significant. Transaction costs in the amount of €3 million have been expensed and included in the line-item "Changes in scope of combination" (please refer to note 1.1.2 to the Interim Combined Financial Information) within Combined Income from operating activities.

  The GDF SUEZ Energy International Division decided to measure non-controlling interest at their interest's proportionate share of the Astoria's identifiable net assets.

  The contribution of Astoria to net combined income group share[12] in the period from the date of acquisition to 30 June 2010 is a loss of €3 million and €86 million to combined revenues in the same period.

- Merger of Chilean Activities

  On 6 November 2009, GDF SUEZ (through its subsidiary SUEZ Energy Andino S.A. ("**SEA**")) and Corporación Nacional del Cobre de Chile ("**Codelco**") decided to reorganise their respective shareholding participations in certain companies operating in the Chilean Northern Interconnected System ("**SING**") by signing a merger agreement. The main purposes of the

12 The term "group share" refers to the GDF SUEZ Energy International Division's economic interest in the relevant entity.

merger operation were to simplify the corporate structure and for the GDF SUEZ Energy International Division to secure long term control and to improve the decision-making processes in terms of efficiency and quality.

Following the closing of the merger on 29 January 2010, the entities Gasoducto NorAndino S.A. ("**GNAC**") and Gasoducto NorAndino Argentina S.A ("**GNAA**"), previously controlled by the GDF SUEZ Energy International Division, and the entities Electroandina S.A. ("Electroandina"), Distrinor S.A. ("**Distrinor**") and Central Termoeléctrica Andina S.A. ("**CTA**") previously jointly controlled with Codelco, all became subsidiaries of Edelnor S.A. ("**Edelnor**"). The participation of the GDF SUEZ Energy International Division in Inversiones Hornitos S.A. ("**CTH**"), jointly controlled with Amsa Holding, has also been transferred to Edelnor.

All previous existing shareholders' agreements with Codelco were terminated. The GDF SUEZ Energy International Division (through its subsidiary SEA) obtained a 52.4 per cent. controlling stake in Edelnor formerly combined under the proportionate method (Codelco 40.0 per cent. and a free float in the Santiago stock exchange of 7.6 per cent.).

From the business combination date, Edelnor and its subsidiaries have been fully combined in the Combined Financial Information with the exception of CTH, which continues to be combined in the Combined Financial Information under the proportionate method.

The valuation for the different companies used in order to calculate the terms of exchange for the merger were based on discounted cash flows. As a result of acquiring control of Electroandina, Distrinor, CTA and Edelnor and in accordance with guidance provided in IFRS 3 revised, the GDF SUEZ Energy International Division re-measured its previously held equity interest in the aforementioned companies to fair value and recognised the dilution of CTH. As a result of these operations a gain of €164 million was recognised in the Combined Income statement (line-item "Changes in scope of combination" within Combined Income from operating activities).

The GDF SUEZ Energy International Division decided to measure non-controlling interest at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

As of 30 June 2010, the fair value of the acquired identifiable assets and liabilities, and notably the distinction between intangible assets and goodwill, is provisional. As of 30 June 2010, the GDF SUEZ Energy International Division recognised intangible assets in respect of customer relationships. The amortisation charge over the expected life of the related contracts amounted to €4.6 million as of 30 June 2010. These values could be modified in the second half of 2010 based on final valuations.

The total consideration transferred consists of the fair value of the equity interests exchanged of €80 million and an amount of €93 million paid in cash.

Acquisition-related costs amounting to €2 million have been recognised as an expense in the period.

The increased contribution of the former co-controlled entities to combined revenues and net combined income group share in the period from the acquisition date to 30 June 2010 amounts to respectively €221 million and €10.8 million.

If the merger had taken place on 1 January 2010 the contribution of the former co-controlled entities to combined revenues and net combined income group share would have been increased by respectively €34.2 million and €2.6 million.

2009

- Acquisition of Izgaz in Turkey

  On 21 January 2009 the GDF SUEZ Energy International Division closed the acquisition of a 90 per cent. interest in Izgaz from the municipality of Izmir. Izgaz is the third gas distributor in Turkey, which owns and manages a 2,900-km network in the Kocaeli region, one of the most heavily industrialised in the country. In 2008, Izgaz supplied 1.5 Gm^3 of natural gas to industry mainly, but also to nearly 200,000 individual clients.

  The cost of the business combination amounted to €126.9 million.

The contribution of Izgaz to combined net income group share for the twelve month period ended 31 December 2009 was a loss of €17.3 million and to combined revenues was €158.5 million.

2008

- Impact on the GDF SUEZ Energy International Division of the merger between Gaz de France and SUEZ

  The merger between SUEZ and Gaz de France was announced in February 2006 and became effective on 22 July 2008 following the signing of a merger agreement on 5 June 2008, approval by shareholders of both groups on 16 July 2008 and the fulfilment of the last conditions precedent provided for in the merger agreement.

  Gaz de France was the owner of a number of assets located in, among other places, Mexico, Canada and the UK (such assets included a 50 per cent. ownership interest in Teesside Power Limited, the remaining 50 per cent. being held by SUEZ). Those assets acquired by SUEZ as part of the merger with Gaz de France were transferred by GDF SUEZ or its subsidiaries for management purposes to the GDF SUEZ Energy International Division in July 2008. This transaction was accounted for as an acquisition of the GDF SUEZ Energy International Division financed by an equity contribution by GDF SUEZ to the GDF SUEZ Energy International Division. Accordingly, this acquisition was a non-cash transaction and has no impact on the line "Cash Flows used in investing activities" of the Combined Cash Flow Statement.

  The cost of the business combination amounted to €536 million.

  In the period from the date of the acquisition to 31 December 2008 the contribution of these former Gaz de France entities to the 2008 combined net income group share was €17.4 million and to the 2008 combined revenues was €912 million. If the acquisition had taken place on 1 January 2008, their contribution to the 2008 combined net income group share and revenues would have been respectively €61.8 million and €1,916.6 million.

  On 25 February 2008, prior to the merger, Gaz de France and SUEZ jointly acquired a joint venture, Teesside Power Limited, which operates the electric plant on the Wilton Industrial site in Northeast England. This plant has a 1,875MW installed capacity. The acquisition price was €246 million. Teesside Power Limited has been fully combined in the Combined Financial Information since the date of the merger between SUEZ and Gaz de France.

  In the period from the date of acquisition to 31 December 2008 the contribution of Teesside Power Limited to the 2008 combined net income group share was a loss of €122.3 million and to the 2008 combined revenues was €406.7 million. Due to a sudden and subsequent decline in operating and pricing conditions, an impairment loss has been recorded in the second half of 2008.

- Acquisition of Senoko Power in Singapore

  On 5 September 2008, the GDF SUEZ Energy International Division and a consortium of partners signed an agreement with Temasek Holdings to purchase the entire share capital of Senoko Power through a joint venture 30 per cent. held by the GDF SUEZ Energy International Division.

  Senoko Power owns and operates a portfolio of power plants (primarily gas-fired combined cycle facilities) located mainly in the north of Singapore. The facilities have a combined capacity of 3,300MW. The consideration for the acquisition was €521 million and Senoko Power has been proportionately combined since the acquisition date.

  In the period from the date of the acquisition to 31 December 2008 the GDF SUEZ Energy International Division's interest in Senoko Power contributed €6.2 million to the 2008 combined net income group share and €143.7 million to the 2008 combined revenues. If the acquisition had taken place on 1 January 2008, its contribution to the 2008 combined net income group share and revenues would have been respectively €11.9 million and €429.4 million.

- Acquisition of FirstLight Power Enterprises

  On 26 December 2008, the GDF SUEZ Energy International Division completed its acquisition of 100 per cent. of the shares in FirstLight Power Enterprises Inc. from Energy Capital Partners. FirstLight owns and operates a portfolio of 15 electrical power plants in the United States and is currently building a natural gas unit. These facilities represent a total capacity of 1,538MW in Massachusetts and Connecticut.

  The consideration for the acquisition was €652 million and FirstLight has been fully combined in the Combined Financial Information with effect from 31 December 2008. The allocation of the cost of the combination to the fair value of the assets acquired and liabilities or contingent liabilities assumed has been finalised.

  In the period from the date of the acquisition to 31 December 2008 the contribution of FirstLight to the 2008 combined net income group share was €0.5 million and to the 2008 combined revenues was €3.6 million. If the acquisition had taken place on 1 January 2008, its contribution to the 2008 combined net income group share and revenues would have been respectively €29 million and €306 million.

- Acquisition of Econergy International

  On 27 October 2008, the GDF SUEZ Energy International Division completed the acquisition of Econergy International for €50 million. Econergy, a US company listed in the UK, is focused on renewable energy projects in Latin America (mainly) and North America. In addition to developing sustainable energy projects, the company is also actively engaged in the carbon credit markets and provides consulting services on renewable energy, energy efficiency and carbon footprint management.

  The total installed capacity of Econergy International amounts to 266MW of small hydro, wind and coalbed methane projects in operation or construction. The company also has a portfolio of approximately 200MW of projects in various stages of development. The projects are located in Brazil, Bolivia, Costa Rica, the US, Mexico and Chile.

  A gain of €20.3 million has been recognised on this transaction, reflecting the fair value of Econergy, as the GDF SUEZ Energy International Division's offer took advantage of attractive share price conditions.

- Acquisition of hydro-electric plants and wind farms in Brazil

  Tractebel Energia purchased in April 2008 Ponte de Pedra, an existing 176MW hydro power plant in Brazil (located in the state of Mato Grosso), and made additional investments through 2008, increasing further its capacity by 100MW in energy from these sources (small hydroelectric power plants and wind farms) for a total consideration of €416.7 million. These acquisitions have been fully combined in the Combined Financial Information since their respective acquisition dates.

- Jirau Hydropower concession in Brazil

  In May 2008, the GDF SUEZ Energy International Division won a concession to build, own, operate and market a 3,300MW installed capacity greenfield hydro project (the Jirau Project) on the Madeira river in the north of Brazil.

  The GDF SUEZ Energy International Division participated in the auction organised by the Brazilian Regulatory Agency of Electrical Energy through a consortium with Camargo Correo Investimentor em Infra-Estrutura SA ("**Camargo**"), Electrosul Centrais Electricas SA ("**Electrosul**") and Companhia Hidro Electrica de Sao Francisco ("**CHESF**"). The total investment cost will be around €3.3 billion.

  The Jirau Project will be built, operated and marketed through Energia Sustentavel do Brasil SA (ESBR), in which the GDF SUEZ Energy International Division has a 50.1 per cent. ownership, Electrosul 20 per cent., CHESF 20 per cent. and Camargo 9.9 per cent. This company has been proportionately combined in the Combined Financial Information based on group share since May 2008.

2007

- Development in wind power in Canada

  On 21 September 2007, a subsidiary of Suez Energy International acquired 100 per cent. of the shares of Canadian wind developer Ventus Energy, Inc. for €101.3 million, generating €81.2 million in goodwill. Ventus Energy has been fully combined in the Combined Financial Information since the date it was acquired.

  At acquisition, Ventus included 25 wind energy development projects for 2,000MW in six provinces in the East of Canada, and has of 29MW commissioned and operating capacity in its Norway and Prince Edwards Island facilities.

  The contribution of Ventus to the 2007 combined net income group share in the period from the acquisition date to 31 December 2007 was a loss of €3.9 million and €1.6 million to combined revenues in the same period.

Segments

The GDF SUEZ Energy International Division adopted IFRS 8 – Operating Segments in 2008. Operating segments have been identified primarily on the basis of internal reports used by the GDF SUEZ Energy International Division's "chief operating decision maker" to allocate resources to the segments and assess their performance.

In 2008 and 2007, the GDF SUEZ Energy International Division's business areas were managed within the GDF SUEZ Energy International Division (the name of the division prior to the reorganisation in 2009). The chief operating decision maker was the GDF SUEZ Energy International General Management Committee. Three segments were identified by the GDF SUEZ Energy International Division: Latin America, Middle East and Asia, and North America. For the business that was not under GDF SUEZ Energy International management (i.e. the UK), but is now considered part of the GDF SUEZ Energy International Division for the Combined Financial Information and Interim Combined Financial Information, a separate operating segment was identified.

The segment information in this Part 6 (*Operating and Financial Review relating to the GDF SUEZ Energy International Division*) takes into consideration the new structure following the reorganisation which became effective on 20 July 2009.

Since 2009, all businesses which are part of the GDF SUEZ Energy International Division have been under GDF SUEZ Energy Europe & International management. The "chief operating decision maker" within the meaning of IFRS 8 is the GDF SUEZ Energy Europe & International General Management Committee.

The GDF SUEZ Energy International Division identified 4 segments:

- Latin America – subsidiaries in this business segment produce electricity, sell electricity and/or natural gas and/or provide electricity transmission and distribution services in Latin America mainly in Brazil, Chile and Peru.

- The Middle East and Asia – subsidiaries in this business segment produce and sell electricity and/or provide electricity transmission in Asia (Thailand, Laos and Singapore), in the Arabic peninsula and in Turkey.

- North America – subsidiaries in this business segment produce electricity and sell electricity, natural gas and services to private individuals and business customers and/or provide electricity transmission and distribution services in North America (US, Canada and Mexico).

- UK and Turkey gas distribution – these subsidiaries produce and sell electricity, natural gas and/or provide electricity transmission and distribution services in the UK and provide gas distribution services in Turkey[13].

13 At the GDF SUEZ Energy Europe & International level, the UK and Turkey gas distribution entities are included in the operating segment Energy Europe (the other operating segment being Energy International). The other subsidiaries included in the Energy Europe operating segment do not fall within the scope of the GDF SUEZ Energy International Division in relation to the Combination.

Results of operation

Comparison of six months ended 30 June 2010 and six months ended 30 June 2009

Overview

Following the year ended 31 December 2009, the GDF SUEZ Energy International Division continued to trade in line with the expectations of its management team and demonstrated a strong operational and financial performance. Revenues and EBITDA for the first half of 2010 increased compared to the same period for the previous year, with strong growth in Latin America and Middle-East Asia compensating for declining performance in North America:

- In Latin America, the GDF SUEZ Energy International Division's combined revenues, EBITDA and current operating profit benefited from a significant increase in electricity volumes sold and positive foreign exchange effects. In addition, the GDF SUEZ Energy International Division and Codelco completed the merger of their electricity assets and gas transport activities in Chile. The GDF SUEZ Energy International Division also commissioned the Sao Salvador power plant in August 2009.
- In North America, declining revenues and EBITDA reflected the absence of positive one-offs compared to 2009 and negative price effects.
- In the Middle-East and Asia, the GDF SUEZ Energy International Division benefited from an overall recovery on power demand and positive impact of development fees.

In addition, in the six month period ended 30 June 2010, the GDF SUEZ Energy International Division has maintained a strong development pace with significant commercial successes:

- the GDF SUEZ Energy International Division won a US$1.7bn contract for building and operating two new power stations in Oman (Barka 3 and Sohar 2).
- EnerSur, the GDF SUEZ Energy International Division's subsidiary in Peru, was awarded a 662MW electricity supply contract in Peru.
- the GDF SUEZ Energy International Division won a contract to build a 1,730MW power plant in Saudi Arabia. A 20-year power purchase agreement has been signed in connection with the contract.

Revenue and Earnings Trends

The following table shows the revenue, EBITDA and current operating income for the GDF SUEZ Energy International Division for the six months ended 30 June 2010. The financial information has been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Revenues	5,377	4,910	10
EBITDA	1,187	997	19
Depreciation, amortisation and provisions	(368)	(270)	(36)
Share-based payment	(2)	(5)	60
Current Operating Income	**817**	**722**	**13**

Revenues for the six month period ended 30 June 2010 were €5,377 million, up €467 million (an increase of 10 per cent. on a reported basis[14]) compared to the same period in 2009.

Excluding changes in the GDF SUEZ Energy International Division perimeter, which includes the acquisition of a controlling interest in the electricity businesses in Chile (€200 million) and the Astoria 1 power plant in North America (€86 million), and the impact of exchange rates, mainly attributable to the rise in the Brazilian real (€128 million) and pound sterling (€26 million), the increase in revenues was due to the following developments in the different business lines:

14 The term ''on a reported basis'' means the increase in revenues expressed as a percentage which is calculated based on gross amounts before any adjustment as reflected in the audited accounts.

- Latin America enjoyed growth in volumes sold in Brazil, in particular following the commissioning of the San Salvador plant in August 2009 and also sales growth in Panama due to a delivery agreement with a local distribution company.
- the Middle East and Asia's growth in revenues mainly resulted in demand recovery in Singapore and came also from Thailand, which had been held back by maintenance outages at the beginning of 2009.
- The decline in revenues of North America segment was mainly attributable to the performance of the LNG business in the US.
- UK and Turkey gas distribution revenues were impacted by lower prices coupled with a decrease in volumes sold, driven by a change in commercial strategy initiated in 2009.

EBITDA advanced 19 per cent. to €1,187 million on a reported basis compared to first-half 2009.

All segments contributed to this double digit growth except North America, whose performance was negatively impacted by the sharp fall in the margin reported on liquefied natural gas after accounting for hedging.

The 39 per cent. rise in EBITDA for Latin America was driven by strong performances in Brazil (increase in margins and favorable hydro conditions) and Chile (advantageous renegotiation of a contract for the delivery of natural gas).

The buoyant 52 per cent. growth enjoyed by the Middle East and Asia is linked to the development fees received in the Middle East and contractual revenues from medium-and long-term agreements.

UK and Turkey gas distribution notably benefited from improved margins in the UK.

Current operating income climbed 13 per cent. to €817 million. This indicator was favorably impacted by the EBITDA performance despite the increases in depreciation and amortisation.

Operating Segments Trends

- Latin America

  The following table shows the revenue, EBITDA and current operating income for the Latin America segment for the six month periods ended 30 June 2010 and 2009. The financial information has been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Revenues	1,426	961	48
EBITDA	649	466	39
Depreciation, amortisation and provisions	(146)	(88)	(66)
Current operating income	**503**	**378**	**33**

  Revenues for the Latin America segment totalled €1,426 million for the six month period ended 30 June 2010, up €465 million (an increase of 48 per cent. on a reported basis) compared to the same period in 2009.

  Changes in the GDF SUEZ Energy International Division perimeter had a positive €200 million impact on revenues and related mainly to the acquisition of controlling interests in electricity businesses in Chile (primarily Electroandina and Edelnor) at end-January 2010. Changes in exchange rates also had a positive €128 million impact as a result of a stronger Brazilian real.

  Organic growth[15], excluding changes in the GDF SUEZ Energy International Division perimeter and foreign exchange rate fluctuations, was also positive and was mainly attributable to an increase in volumes sold in Brazil, in particular following the commissioning of the San Salvador plant in August 2009, and sales growth in Panama due to a delivery agreement with a local distribution company.

15 The term "organic growth" refers to growth expressed as a percentage change after having excluded the impact of exchange rate fluctuations and changes in the GDF SUEZ Energy International Division perimeter.

For the whole segment, electricity sales rose 4.5 TWh to 24.3 TWh in the first-half 2010, while gas sales held firm at 3.6 TWh.

EBITDA for the segment was €649 million, representing a €183 million increase or a positive change of 39 per cent.

- In Brazil, growth was driven by higher margins on bilateral sales and favourable hydro conditions.
- In Chile, EBITDA increased as a result of the successful renegotiation of a natural gas delivery agreement and higher spot prices following maintenance at the GasAtacama power plants.
- The performance in Panama fell back compared to first-half 2009, due to delays in converting Bahia La Minas to a coal-fired plant.

Current operating income was €503 million in the first six months of 2010, up by 33 per cent. on the same period in 2009. Current operating income rose in line with EBITDA and amortisation and depreciation charges, mainly resulting from the commissioning of the hydraulic plant in San Salvador.

- Middle East and Asia

The following table shows the revenue, EBITDA and current operating income for the Middle East and Asia segment for the six month periods ended 30 June 2010 and 2009. The financial information has been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Revenues	941	810	16
EBITDA	211	139	52
Depreciation, amortisation and provisions	(50)	(43)	(16)
Current operating income	**161**	**96**	**68**

Revenues for the Middle East and Asia segment climbed 16 per cent. to €941 million. Excluding the effects of the appreciation of the US dollar and the Thai baht, organic revenue growth was €99 million or 12 per cent., driven primarily by Senoko Power (up €67 million) following the recovery in demand in Singapore, and also by Thailand, which had been held back by maintenance outages since the beginning of 2009. In Turkey revenues from electricity generation were down €22 million as a result of lower gas prices.

The segment posted electricity sales of 13.2 TWh, up 0.6 TWh.

Excluding the positive €4 million exchange rate impact, EBITDA for the division increased 48 per cent. on an organic basis, due to development fees received in the Middle East and to contractual revenues under medium- to long-term agreements amid growing demand in the region.

- In Thailand, EBITDA increased as a result of stable prices coupled with lower fuel costs (coal and gas). EBITDA for the six month period ended 30 June 2009 was also significantly impacted by costs and maintenance outages at certain units.
- In Singapore, Senoko Power benefitted from stronger electricity demand that enabled it to improve sales and margins.
- In the Middle East, the improvement in EBITDA was principally as a result of higher development fees for the Riyadh PP 11 project.

Current operating income for the Middle East and Asia segment was €161 million, up €65 million or 68 per cent. on a reported basis in line with the performance of EBITDA.

- North America

The following table shows the revenue, EBITDA and current operating income for the North America segment for the six month periods ended 30 June 2010 and 2009. The financial information has been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Revenues	2,093	2,133	(2)
EBITDA	301	387	(22)
Depreciation, amortisation and provisions	(156)	(123)	(27)
Current operating income	**144**	**264**	**(45)**

Revenues for the North America segment amounted to €2,093 million, down €40 million or -2 per cent. compared to the same period in 2009.

Changes in exchange rates had a positive €18 million effect, while changes in the GDF SUEZ Energy International Division's group structure mainly consisted of the full consolidation of Astoria 1 (positive €86 million impact).

Electricity sales increased by 3.4 TWh up to 27.7 TWh, while natural gas sales fell 5.4 TWh to 33.5 TWh.

The decline in revenues was mainly attributable to the performance of the LNG business in the US, where rapidly declining prices and lower sales volumes had a negative €200 million impact.

Higher electricity revenues were primarily due to the first-time consolidation of the Astoria 1 plant. GDF SUEZ Energy Resources North America, which supplies electricity to business and industrial customers in the US, continued to perform well, reporting a €95 million increase in revenues as a result of several successful commercial deals. This led to a 21 per cent. increase in volumes to 14.5 TWh in the US.

Excluding the positive €4 million exchange rate impact and the positive €29 million impact of changes in group structure, EBITDA fell 30 per cent. or €119 million.

- This negative growth was mainly attributable to non-recurrent items in relation to LNG activities in 2009 (the end of favourable hedges and the settlement with Gas Natural). The steep decline was partially offset by lower operating costs at the Everett terminal.
- The North America segment's revenues from electricity production increased by €22 million, chiefly in connection with the commissioning of the West Cape Wind Farm and the Caribou Wind Park, as well as the Waterbury plant in 2009. Electricity production from renewable sources suffered under heavy storms at the beginning of 2010 which led to outages at several wind power facilities.
- The North America segment's retail energy sales were boosted by volumes sold and higher margins.

Current operating income for the North America segment was €144 million, down €120 million (45 per cent. on a reported basis). The segment's operating performance benefited from the same contributory factors as EBITDA described above.

- UK and Turkey gas distribution

  The following table shows the revenue, EBITDA and current operating income for the UK and Turkey gas distribution segment for the six month periods ended 30 June 2010 and 2009. The financial information has been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Revenues	918	1,006	(9)
EBITDA	64	42	52
Depreciation, amortisation and provisions	(16)	(18)	11
Current operating income	**48**	**24**	**100**

  The UK and Turkey gas distribution segment contributed revenues of €918 million for the six month period ended 30 June 2010, down €88 million (negative 9 per cent. on a reported basis) as compared with the same period in 2009. The contribution of Turkey gas distribution is still limited.

  Positive exchange rate impacts were recorded in the UK (€26 million) while changes in group structure were not material in the first half of 2010.

  In the UK, revenues were impacted by lower prices coupled with a decrease in volumes sold (volumes of gas sold were down 3.1 TWh compared with a 1.3 TWh increase in the volumes of electricity sold) driven by a change in commercial strategy initiated in 2009.

  EBITDA for the segment was €64 million for the first half of 2010, up €22 million (52 per cent.) on a reported basis.

  Current operating income for the segment totalled €48 million, up €24 million (98 per cent.) on a reported basis, enhanced by a decrease in depreciation, amortisation and provisions.

Other income statement items[16]

	30 June 2010	*30 June 2009*	*% change*
	(In millions of euros)		
Current operating income	817	722	13
Mark-to-market on commodity contracts other than trading instruments	(24)	(76)	
Impairment of property, plant and equipment, intangible assets and financial assets	(134)	(3)	
Restructuring costs	(1)		
Changes in scope of combination	184	1	
Other disposal gains and losses and non-recurring items	(1)	2	
Income from operating activities	843	646	30
Net financial loss	(217)	(157)	(38)
Income tax expense	(153)	(183)	16
Share in net income of associates	24	15	60
Net income	497	320	55
Non-controlling interests	101	82	23
Net income group share	**396**	**238**	**66**

Income from operating activities increased by 30 per cent. in the six month period ended 30 June 2010 compared to the same period in 2009, to €843 million. The rise chiefly reflected "Changes in

16 A "% change" figure has not been included in relation to those elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature as further described in note 1.5.15 to the Interim Combined Financial Information.

scope of combination"[17] and the impact of mark-to-market valuations which more than offset impairment losses recognised over the period.

Changes in the fair value of commodity hedging instruments recognised in accordance with IAS 32/39 had a negative €24 million impact in the six month period ended 30 June 2010, compared with a negative €76 million impact in the same period in 2009. This is attributable to an overall negative price impact resulting from fluctuations in the price of the underlying commodities during the period, to the depreciation of the US dollar against the Thai baht on embedded derivatives in respect of capacity contracts in Asia, from the unwinding of positions with a positive market value at end-December 2009 and from the negative impact on economic hedges covering foreign currency exposure relating primarily to purchases of equipment which could not be designated as hedges under IAS 39.

Income from operating activities was also affected by impairment losses for an amount of €134 million in the six month period ended 30 June 2010, relating mainly to the goodwill impairment of the cash-generating unit (CGU) Turkey gas distribution resulting from the on-going difficulties of an industrial client and various signals regarding potential changes in the tariff regulation post 2016.

"Changes in scope of combination" amounted to €184 million in the six month period ended 30 June 2010 and mainly include the impact of re-measuring the interests previously held in the Chilean entities Electroandina, Distrinor, Central Termoeléctrica Andina (CTA) and Edelnor, as a result of the GDF SUEZ Energy International Division acquiring control over those entities, as well as the recognition of the dilution gain on Inversiones Hornitos (CTH) (€164 million) in accordance with the provision of IFRS 3 revised – Business Combinations.

Net financial loss in the six month period ended 30 June 2010 totalled €217 million, compared with a net financial loss of €157 million in the same period in 2009, reflecting the increase in outstanding borrowings and changes in the fair value of economic hedges of borrowings not eligible for hedge accounting, impact partially off-set by the effect of interest rate fluctuations on gross borrowings.

The effective tax rate was 24.5 per cent. in the six month period ended 30 June 2010 compared with 37.5 per cent. in the same period in 2009. This change was mainly due to the reversal of a tax provision in 2010. In 2009, net income before tax was impacted by a negative foreign exchange loss without any tax effect.

Share in net income of associates by increased €9 million in the six month period ended 30 June 2010 compared with the same period in 2009, mainly due to activities in the Middle East and Thailand.

Non-controlling interests in net income grew by €19 million in the six month period ended 30 June 2010, mainly reflecting strong performance in Brazil and the impact of changes in GDF SUEZ Energy International Division group structure in Chile.

Results of operations (2009, 2008 and 2007)

Comparison of years ended 31 December 2009 and 2008

Overview

The GDF SUEZ Energy International Division's businesses held firm in 2009, despite unfavourable trends in commodity prices and the impacts of the global economic crisis. Operating indicators delivered modest improvement to the record results for the year 2008.

- Business in the Middle East, Asia and Latin America remained stable. Furthermore, it was the first full year of operation of the Inversiones y Desarrollos Balbao plant (Panama) and the first full year of contribution of Senoko Power (Singapore, acquired in September 2008).
- The North American business was hit by smaller margins on LNG activities. In addition, 2009 was the first full year of contribution of FirstLight Power (acquired in December 2008).
- Business in the UK and the Turkey gas segment benefited from the acquisition of Izgaz, a gas distributor in Turkey, in early 2009.

In addition, in the year ended 31 December 2009, the GDF SUEZ Energy International Division experienced strong development demonstrated by the following achievements:

- GDF SUEZ Energy Resources, the retail energy business of GDF SUEZ Energy International Division in North America, secured a multi-year contract to supply 100 per cent. of the electricity needs of the Municipal Authority of the City of Sunbury (Pennsylvania);

17 Including gains on the partial disposal of interests and when acquiring control, the impact of re-measurement of previously held interests in accordance with the revised IFRS 3.

- the GDF SUEZ Energy International Division, through its subsidiary Edelnor, won a US$3bn electric power supply contract in Chile; and
- the GDF SUEZ Energy International Division obtained the definitive licence for construction of the 3,300MW Jirau hydropower project in Brazil.

Revenue and Earnings Trends

The following table shows the revenue, EBITDA and current operating income for the GDF SUEZ Energy International Division segments for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2009	*2008*	*% change*
	(In millions of euros)		
Revenues	9,322	9,027	3
EBITDA	1,978	1,792	10
Depreciation, amortisation and provisions	(546)	(402)	(36)
Share-based payment	(9)	(9)	—
Current operating income	**1,422**	**1,380**	**3**

Revenues in 2009 were €9.322 million, up €295 million or 3 per cent. on a reported basis compared to 2008.

Excluding changes in group structure, which include mainly the acquisition of the UK, Mexican and Canadian activities of Gaz de France following the merger between SUEZ and Gaz de France, the acquisition of FirstLight in the US in December 2008, the acquisition of Senoko Power in Singapore in September 2008 and Izgaz in Turkey in 2009 for a total impact of €1,620 million, and the overall positive impact of fluctuations in exchange rates (€102 million, mainly from the appreciation of the US dollar), revenues decreased by 16 per cent. This decrease reflects the following developments in the GDF SUEZ Energy International Division's four segments:

- negative organic growth in Latin America due to lower prices in Chile and the coal conversion project at the Bahia Las Minas power plant in Panama;
- decreasing revenues in the Middle East and Asia, mainly attributable to lower electricity prices in Turkey;
- declining revenues in North America due to lower LNG and electricity prices; and
- UK and Turkey gas distribution revenues decreasing due mainly to lower gas volumes sold, driven by a change in commercial strategy.

EBITDA in 2009 rose 10 per cent. to €1,978 million on a reported basis compared to 2008. On an organic basis, EBITDA decreased slightly (negative €72 million).

- This organic decrease was mainly in North America (negative €61 million) due to the sharp fall of prices and margins in the LNG business.
- EBITDA remained flat organically in Latin America with increases in Chile and Panama, while Brazil remained slightly below its exceptionally high 2008 performance.
- In the Middle East and Asia business area, EBITDA finished at almost the same level, organically, as in 2008, as the sale of capacity under long-term contracts and development fees received in the Middle East mitigated the impact of lower demand.
- The EBITDA of UK and Turkey gas distribution also remained flat, excluding the effects of changes in group structure and fluctuations in exchange rates.

Current operating income increased by 3 per cent. to €1,422 million in 2009, impacted by the EBITDA increase partly offset by the increases in depreciation and amortisation resulting from the acquisitions and the commissioning of new plants in Latin and North America.

Operating segment trends

- Latin America

The following table shows the revenue, EBITDA and current operating income for the Latin America segment for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2009	*2008*	*% change*
	(In millions of euros)		
Revenues	2,012	2,067	(3)
EBITDA	1,026	1,007	2
Depreciation, amortisation and provisions	(191)	(146)	(31)
Current operating income	**835**	**861**	**(3)**

In 2009, revenues for the Latin America business area totalled €2,012 million, down 3 per cent. on a reported basis and down €98 million or 5 per cent. on an organic basis compared with 2008.

Changes in group structure had a positive €52 million impact on revenues and related mainly to the acquisition of Ponte De Pedra in Brazil and Corani in Bolivia in December 2008.

Electricity sales rose to 40.4 TWh in 2009, representing a 0.4 TWh increase over the year, while gas sales held firm at 8.1 TWh.

The negative organic growth was mainly attributable to (i) lower prices in Chile (negative €44 million impact), (ii) the ongoing coal conversion project at the Bahia Las Minas power plant in Panama (negative €23 million impact), which was partially offset by the start up of the Cativa power plant project in August 2008, and (iii) a slight drop in sales in Brazil (negative €28 million impact).

EBITDA for the business area was €1,026 million, representing a net €19 million increase which was mainly driven by the positive impact of changes in group structure in Brazil and Bolivia and unfavourable exchange rates. In 2009, EBITDA for the business area was approximately in line with 2008 in most countries, save for Chile and Panama where there were year-on-year increases.

Faced with challenging weather conditions which impacted, in particular, on the performance of hydropower assets in Brazil and a particularly high basis for comparison, Brazil failed to match its 2008 performance, although higher margins on bilateral and export sales partially offset the negative impact.

Margins in Peru dropped in 2009 compared with 2008 when favourable market conditions, mainly created by a very high coal stock index, established a high basis for comparison.

Chile improved its year-on-year performance with increased gas capacity available and lower fuel and market prices. This upward trend was contained, however, by the impact of higher contractual sales, which limited volumes of spot sales.

Panama improved its performance in 2009 compared to 2008. The first full year of operation of the Inversiones y Desarrollos Balboa plant was the main growth contributor, although the conversion to coal-fired plants held back contractual sales of other assets.

Current operating income decreased in 2009 in particular because of additional amortisation and depreciation, mainly resulting from the launch of the hydraulic plants in Ponte de Pedra, San Salvador and production at the Balboa plant.

- Middle East and Asia

The following table shows the revenue, EBITDA and current operating income for the Middle East and Asia segment for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2009	*2008*	*% change*
	(In millions of euros)		
Revenues	1,511	1,346	12
EBITDA	286	268	7
Depreciation, amortisation and provisions	(88)	(78)	(13)
Current operating income	**197**	**189**	**4**

In 2009, revenues for the Middle East and Asia business area increased 12 per cent. on a reported basis to €1.511 million, owing mainly to the acquisition of Senoko Power in Singapore in September 2008 and the appreciation of the US dollar and the Thai baht. Revenues in 2009 fell 11 per cent. or €157 million on an organic basis driven chiefly by Turkey (down €133 million) as a result of major overhaul in 2009 and Senoko Power (down €39 million) as a result of price decreases.

The business area sold 24.8 TWh of electricity in 2009, up 2.2 TWh.

Excluding the positive €11 million exchange rate impact and the positive €12 million impact of changes in group structure, EBITDA for the business area in 2009 remained virtually stable on an organic basis, due to development fees received in the Middle East and to contractual revenues under long-term agreements, despite softer demand in the region:

- in Thailand, EBITDA edged up 2 per cent. as a result of a sharp 36 per cent. rise in benchmark prices. This was despite a 3 per cent. drop in electrical output, which was mainly due to a challenging economic environment and unpredictable weather conditions in Laos;
- in Turkey, programmed maintenance work resulted in lower returns on available capacity;
- in Singapore, Senoko Power was affected by the fall-out from the economic crisis, which weighed on volumes. However, EBITDA rose to €17 million in 2009 from €11 million in 2008, boosted by the fact that it now covers a 12-month period (Senoko Power was acquired in September 2008). Demand began to pick up at the end of 2009; and
- EBITDA improved in the Middle East, mainly driven by a rise in development fees for the Shuweihat and Al Dur projects.

Current operating income for the Middle East and Asia region was €197 million in 2009, down €5 million or 3 per cent. on an organic basis. The region's operating momentum was affected by the same factors as those described above for EBITDA.

- North America

The following table shows the revenue, EBITDA and current operating income for the North America segment for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2009	*2008*	*% change*
	(In millions of euros)		
Revenues	3,922	4,386	(11)
EBITDA	657	557	18
Depreciation, amortisation and provisions	(234)	(140)	(67)
Current operating income	**423**	**417**	**1**

In 2009, revenues for the North America business area were €3,922 million, down 11 per cent. on a reported basis and down €903 million or 20 per cent. excluding the impact of fluctuations in exchange rates and changes in group structure. Fluctuations in exchange rates had a positive €185 million impact due to the appreciation of the US dollar.

Changes in group structure, mainly consisting of the acquisition of the Mexican and Canadian activities of Gaz de France following the merger between SUEZ and Gaz de France, the acquisition of FirstLight in December 2008 and the sale of the Chehalis plant in September 2008, had an overall positive €333 million impact on revenues in 2009. Electricity sales advanced 5.9 TWh to 50.6 TWh in 2009, while natural gas sales edged back 7.5 TWh to 72.0TWh.

The drop in revenues in 2009 was mainly attributable to the performance of the LNG business in the US, where lower volumes and declining prices led to a €729 million decrease year on year. Lower electricity prices also led to a €220 million fall in revenues from electricity sales to the wholesale market, in spite of higher volumes, and from sales under long-term contracts. Despite the drop in prices and the economic downturn, GDF SUEZ Energy Resources North America, which supplies electricity to business and industrial customers in the US, continued to perform well in 2009, reporting a €143 million increase in revenues driven by a 23 per cent. increase in volumes sold which totalled 26.2 TWh for the year.

Excluding the positive €27 million exchange rate impact and the positive €134 million impact of changes in group structure, EBITDA dropped €61 million (or negative 11 per cent.) in 2009.

This decrease in EBITDA in 2009 was mainly attributable to a sharp fall in the margin reported on hedged liquid natural gas sales, due to decreasing natural gas prices (the average Nymex price was 56 per cent. lower than in 2008) as well as to lower volumes. This steep decline was partially offset by lower operating costs at the Everett terminal.

Due to its hedging policy, the business area's electricity production business limited its exposure to movements in energy prices, which were particularly unfavourable compared to 2008. The business area's retail energy sales business capitalised on the favourable competitive conditions created by these downbeat conditions and was able to increase its volumes and margins.

Electricity production from renewable sources was boosted by the commissioning of the West Cape Wind Farm and the Caribou Wind Park in Canada, both of which have a capacity of 99MW, and contributed to EBITDA for the first time in 2009.

Current operating income for the North America business area was €423 million, down €61 million (14 per cent.) on an organic basis, but were boosted by the same factors which positively impacted EBITDA.

- UK and Turkey gas distribution

The following table shows the revenue, EBITDA and current operating income for the UK and Turkey gas distribution segment for the years ended 31 December 2009 and 2008. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2009	*2008*	*% change*
	(In millions of euros)		
Revenues	1,877	1,227	53
EBITDA	85	27	215
Depreciation, amortisation and provisions	(34)	(27)	(26)
Current operating income	**51**	—	**N/A**

In 2009, revenues from the UK and Turkey gas distribution segment increased by 53 per cent. on a reported basis to €1,877 million on a reported basis compared to 2008. Volumes of electricity increased by 5.5 TWh to 15.5 TWh in 2009 while gas sales almost doubled to 34.1 TWh.

Changes in group structure had a positive impact of €1,049 million on revenues, mainly from the acquisition of the UK activities of Gaz de France following the merger between SUEZ and Gaz de France, and a major gas distributor Izgaz in Turkey. Changes in the pound sterling exchange rate had a negative impact of €130 million.

Revenues were down 25 per cent. on an organic basis in 2009 reflecting a steep drop in UK gas volume sales in the wake of a change of commercial strategy.

EBITDA for the business area was €85 million in 2009, up €58 million on a reported basis. Organic EBITDA remained stable in 2009 compared to 2008.

Current operating income totalled €51 million in 2009, of which €43 million was attributable to changes in group structure.

Other income statements items[18]

	2009	*2008*	*% change*
	(In millions of euros)		
Current operating income	1,422	1,380	3
Mark-to-market on commodity contracts other than trading instruments	(58)	(13)	
Impairment of property, plant and equipment, intangible assets and financial assets	(43)	(140)	
Restructuring costs	(9)	—	
Disposals of assets, net	(20)	39	
Income from operating activities	1,293	1,267	2
Net financial loss	(334)	(348)	4
Income tax expense	(329)	(373)	12
Share in net income of associates	18	16	13
Net income	648	562	15
Non-controlling interests	171	179	(4)
Net income group share	**477**	**382**	**25**

Income from operating activities advanced 2 per cent. compared to 2009, to €1,293 million.

Changes in the fair value of commodity hedging instruments recognised in accordance with IAS 32/39 had a negative €58 million impact in 2009, compared with a negative €13 million impact in 2008. The 2009 impact was mainly attributable to an overall negative price impact resulting from fluctuations in the price of the underlying commodities during the period while for 2008 a similar negative impact on economic hedges covering commodity price exposure was partly off-set by a positive impact stemming from the ineffective portion of cash flows hedges contracted in respect of non-financial assets and the discontinuance of hedge accounting for certain instruments hedging commodity risks, as well as from the positive impact on economic hedges covering foreign currency exposure relating primarily to purchases of equipment which could not be designated as hedges under IAS 39.

Income from operating activities in 2009 was also affected by impairment losses of €43 million, relating mainly to an impairment loss recognised on property, plant and equipment of Bahia Las Minas in Panama resulting from less favorable operating conditions and additional delays in the commercial operations date of the coal conversion project. In 2008, the impairment losses mainly related to Teesside Power Limited, due to the decline in operating and pricing conditions.

At 31 December 2009, disposals of assets represented a net capital loss of €20 million. In 2008, the capital gain mainly reflected the sale of the Chehalis power plant in the US.

Net financial loss for the period under review totaled €334 million, compared with a net financial loss of €348 million in 2008, reflecting the increase in outstanding borrowings, the impact of interest rate fluctuations on net debt, the impact of interests capitalised according to IAS 23, the redemption of floating rate notes in Latin America and the decrease of other financial income.

The effective tax rate was 34.3 per cent. for 2009 versus 40.6 per cent. in 2008. This decrease in effective tax rate was primarily due to negative one-off impacts in 2008 relating to the recognition of a tax provision following a tax audit the US, in addition to the Teesside Power Limited impairment for which no tax deduction had been recognised and to the recognition in 2009 of deferred tax assets on tax losses carried forward at GDF SUEZ Renewable Energy (US).

18 A "% change" figure has not been included in relation to those elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature as further described in note 1.4.15 to the Combined Financial Information.

Comparison of years ended 31 December 2008 and 2007

Overview: The GDF SUEZ Energy International Division achieved a record performance in 2008 which resulted in the significant growth of its main operating indicators both on a reported and on an organic basis.

- Following the merger between SUEZ and Gaz de France, which became effective in July 2008, the GDF SUEZ Energy International Division acquired the Canadian, Mexican and UK activities of the former Gaz de France.
- Results in Latin and North America improved significantly as the GDF SUEZ Energy International Division was able to benefit from higher commodity prices as well as from the first full year of operations of the Bahia Las Minas power plant in Panama and the OCP2 unit in Peru.
- While the Asian business declined moderately, due to the business's inability to fully pass on the increase of fuel prices in Thailand, activities in the Middle East continued to grow, benefitting from the first full year of operations of the Sohar power plant in Oman.

During 2008, the GDF SUEZ Energy International Division continued its strong development, laying the foundations for future long-term growth including through the following activities:

- the acquisition of Senoko Power in Singapore, Firstlight Enterprises in the US and Econergy (activities mainly in Latin America);
- in Latin America, the GDF SUEZ Energy International Division won a contract to build, own and operate a 3,300MW hydropower plant in Jirau, Brazil; and
- the GDF SUEZ Energy International Division won three major projects in the Middle East to develop, build and manage joint power and desalination plants, including a first contract in the Qatar market.

Revenue and earnings trends

The following table shows the revenue, EBITDA and current operating income for the GDF SUEZ Energy International Division for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Combined Financial Information.

	2008	*2007*	*% change*
	(In millions of euros)		
Revenues	9,027	6,593	37
EBITDA	1,792	1,580	13
Depreciation, amortisation and provisions	(402)	(355)	(13)
Share-based payment	(9)	(6)	(50)
Current operating income	**1,380**	**1,218**	**13**

In 2008, revenues for the GDF SUEZ Energy International Division totalled €9,027 million up 37 per cent. compared to 2007 on a reported basis and up 21 per cent. excluding the effect of fluctuations in exchange rates and changes in group structure.

This performance drew on the GDF SUEZ Energy International Division's strong commercial momentum in all of its developing international markets, amid a spike in energy demand and rising prices.

The GDF SUEZ Energy International Division's organic growth stemmed more specifically from:

- North America (up €758 million), mainly due to the rise in direct energy sales to industrial and business customers (up €319 million) and the growth in LNG activities boosted by a strong price impact (up €241 million);
- Asia and the Middle East (up €183 million), due to improved sales in Turkey (up €111 million), price increases in Thailand (up €36 million) and the GDF SUEZ Energy International Division's expanding presence in the Gulf region, with the first full-year contribution of the Sohar plant in 2008;

- Latin America (up €329 million), representing a rise in electricity sales in Brazil (up €88 million) which resulted from price increases, increased sales in Peru (up €95 million) and Chile (up €132 million) reflecting mainly positive price impacts; and
- revenues from UK and Turkey gas distribution, totalling €1,227 million, resulting solely from the acquisitions realised during 2008.

Excluding the negative €61 million exchange rate impact (mainly in relation to the US dollar) and the positive €96 million impact of changes in group structure (related mainly to the acquisitions of the Mexican and UK activities of Gaz de France, as well as Ponte de Pedra in Brazil and Senoko Power in Singapore), EBITDA increased €175 million in 2008, or 11 per cent. on an organic basis:

- Latin America exhibited the best organic growth performance (up 16 per cent.), as a result of robust advances in electricity activities in Brazil (up 13 per cent.), Peru (up 26 per cent.) and Chile (up 80 per cent.), driven by higher electricity prices in all markets and additional capacity in Peru and Panama;
- North America achieved 18 per cent. organic growth, led by GDF SUEZ LNG North America (up 47.7 per cent.) and a rise in margins after hedging;
- EBITDA for Asia and the Middle East region decreased 5 per cent. on an organic basis, due mainly to a 22 per cent. decline in Thailand which was affected by a rise in fuel prices which could not be fully passed on through rates; and
- EBITDA for UK and Turkey gas distribution, amounted to €27 million, attributable entirely to the acquisitions in the period in the UK.

Current operating income for the GDF SUEZ Energy International Division was €1,380 million in 2008, up 13 per cent. on a reported basis. Excluding the positive €8 million impact of changes in exchange rates and group structure, organic growth was €153 million in 2008, or 13 per cent., buoyed by the sharp rise in EBITDA.

Operating segment trends

- Latin America

  The following table shows the revenue, EBITDA and current operating income for the Latin America segment for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Combined Financial Information.

Latin America	*2008*	*2007*	*% change*
	(In millions of euros)		
Revenues	2,067	1,726	20
EBITDA	1,007	865	16
Depreciation, amortisation and provisions	(146)	(135)	(8)
Current operating income	**861**	**731**	**18**

In 2008, revenues for the Latin America region climbed 20 per cent. on a reported basis and a similar 19.7 per cent. or €341 million on an organic basis. Changes in group structure had a favourable effect of €54 million, principally due to the acquisition of Ponte de Pedra in Brazil in the second quarter of 2008 and the first full-year contribution of Bahia Las Minas in Panama, acquired in the second quarter of 2007. Changes in exchange rates had a negative impact of €42 million, mainly in relation to the US dollar.

This growth of revenues reflected the increase in electricity prices in Brazil (on bilateral contracts and on the spot market, where Tractebel Energia benefited from its guaranteed energy allocation strategy and particularly high prices in the first quarter), but also in Peru and Chile. In addition, the region benefitted from additional generation volumes in Peru, due to the first full-year contribution of the OCP2 unit commissioned in July 2007, and from the new Balboa power plant in Panama from August 2008.

EBITDA increased to €1,007 million or 16 per cent. on a reported basis. Excluding the €14 million negative exchange rate impact, and the positive €24 million impact of changes in group structure, EBITDA rose by €132 million or 16 per cent.

This significant organic performance was boosted by the results of Tractebel Energia in Brazil (up 13 per cent.) which benefited from high market prices in the first quarter of 2008 on account of its guaranteed energy allocation strategy. Electricity activities in Peru reported strong gains (up 26 per cent.) due mainly to the commissioning of the OCP2 plant in July 2007 (174MW) in addition to the benefit of higher prices. Electricity activities in Chile posted 80 per cent. growth, driven by an increase in electricity selling prices on the market.

Current operating income was €861 million in 2008, up 18 per cent. on a reported basis, driven by the strong rise in EBITDA.

- Middle East and Asia

The following table shows the revenue, EBITDA and current operating income for the Middle East and Asia segment for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Combined Financial Information.

Middle East and Asia	*2008*	*2007*	*% change*
	(In millions of euros)		
Revenues	1,346	1,084	24
EBITDA	268	286	(6)
Depreciation, amortisation and provisions	(78)	(79)	1
Current operating income	**189**	**207**	**(9)**

In 2008, revenues for the Middle East and Asia region increased 24 per cent. on a reported basis and €183 million or 18 per cent. on an organic basis. Changes in group structure, mainly the acquisition of Senoko Power in Singapore, had a favourable effect amounting to €137 million. The depreciation of the US dollar and the Thai Baht had a negative impact of €58 million.

The increase in revenues in 2008 reflected the higher prices in Turkey (positive €111 million, where an increase in gas price is passed through to rates) and in Thailand (positive €39 million). In addition, the Sohar power plant in Oman benefitted from a full-year of operation in 2008 compared to only seven months in 2007.

EBITDA was €268 million in 2008. This was €18 million or 6 per cent. less than in 2007. Excluding the €14 million negative exchange rate impact, and the positive €11 million impact of changes in group structure, EBITDA declined by €15 million or negative 6 per cent. This decrease is mainly due to a rise in fuel prices not fully reflected in sales prices in Thailand and was mitigated by additional contributions from the Middle East, mainly as a result of the full-year contribution of the Sohar power plant, and from Turkey.

Current operating income at €189 million declined 9 per cent. on a reported basis and was affected by the same factors described above.

- North America

The following table shows the revenue, EBITDA and current operating income for the North America segment for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Combined Financial Information.

North America	*2008*	*2007*	*% change*
	(In millions of euros)		
Revenues	4,386	3,783	16
EBITDA	557	477	17
Depreciation, amortisation and provisions	(140)	(141)	1
Current operating income	**417**	**335**	**24**

In 2008, revenues for the North America region increased 16 per cent. on a reported basis and €758 million or 22 per cent. on an organic basis. Changes in group structure had a favourable effect of €100 million in 2008, principally due to the acquisition of the Mexican and Canadian activities of Gaz de France following the merger between SUEZ and Gaz de France which became effective in July 2008. The depreciation of the dollar had a negative impact of €255 million.

The increase of revenues in 2008 mainly reflected the further development of the activities of GDF SUEZ Energy Resources North America which reported a €319 million increase in revenues with volumes increasing 22 per cent. to 21.3 TWh and prices increasing in all regions. Revenues from the LNG activities were up by €241 million in 2008, mainly driven by higher gas prices. Higher power prices also drove a €125 million increase in sales to the wholesale market.

EBITDA reached €557 million in 2008, up €80 million compared to 2007. Excluding the €33 million negative exchange rate impact, and the positive €32 million impact of changes in group structure, EBITDA rose by €81 million or 18 per cent.

The significant organic growth in 2008 was largely attributable to the LNG activities (positive €108 million) which benefitted from higher hedged gas prices and margins and was partly offset by the impact of higher wood prices on the margin of the US biomass activities and increased business development expenses.

Current operating income increased by €82 million or 24 per cent. in 2008. The same factors as those affecting EBITDA explain this increase.

- UK and Turkey gas distribution

The following table shows the revenue, EBITDA and current operating income for the UK and Turkey gas distribution segment for the years ended 31 December 2008 and 2007. The financial information has been extracted without material adjustment from the Combined Financial Information.

UK and Turkey gas distribution	*2008*	*2007*	*% change*
	(In millions of euros)		
Revenues	1,227	0	N/A
EBITDA	27	0	N/A
Depreciation, amortisation and provisions	(27)	0	N/A
Current operating income	0	0	**N/A**

Revenues, EBITDA and current operating income attributable to this segment were entirely due to the acquisitions realised in 2008 in the UK, including a 50 per cent. ownership in Teesside Power Limited in February 2008 and the acquisition of the UK activities of Gaz de France (including the remaining 50 per cent. of Teesside Power Limited) following the merger between SUEZ and Gaz de France which became effective in July 2008.

Electricity sales in 2008 amounted to 9.9 TWh and gas sales amounted to 17.5 TWh.

Other income statements items

	2008	2007	% change
	(In millions of euros)		
Current operating income	1,380	1,218	13
Mark-to-market on commodity contracts other than trading instruments	(13)	34	
Impairment of property, plant and equipment, intangible assets and financial assets	(140)	(83)	
Disposals of assets, net	39	(76)	
Income from operating activities	1,267	1,093	16
Net financial loss	(348)	(272)	(28)
Income tax expense	(373)	(252)	(48)
Share in net income of associates	16	19	(16)
Net income	562	589	(5)
Non-controlling interests	179	189	(5)
Net income group share	**382**	**400**	**(5)**

Income from operating activities increased 16 per cent. in 2008 compared to 2007, to €1,267 million. In addition to the increase of current operating income described above, the rise mainly reflected the increase in net capital gains which more than offset the net change in impairment losses recognised in 2008 and the impact of mark-to-market valuations.

Changes in the fair value of commodity hedging instruments recognised in 2008 in accordance with IAS 32/39 had a negative €13 million impact, compared with a positive €34 million impact in 2007. This was attributable to an overall negative impact on economic hedges covering net exposure to price risk and foreign currency risk in 2008 compared to a net positive impact in 2007.

Income from operating activities was also affected by impairment losses of €140 million in 2008, relating to property, plant and equipment at Teesside Power Limited, following the decline in operating and pricing conditions. In 2007, impairment losses concerned mainly GDF SUEZ Energy Generation North America, amid the persistently unfavorable pricing environment for certain merchant power plants.

At 31 December 2008, disposals of assets represented a net capital gain, mainly reflecting the sale of the Chehalis power plant in the US. The losses recognised in 2007 primarily comprised a charge of €85 million related to the settlement of a dispute concerning an agreement entered into with AEP Power Marketing, Inc.

Net financial loss in 2008 totalled €348 million, compared with a net financial loss of €272 million in 2007, reflecting the increase in outstanding borrowings, the impact of interest rate fluctuations on net debt, the impact of interest capitalised according to IAS 23 and the redemption of floating rate notes in Latin America.

The effective tax rate was 40.6 per cent. for 2008 compared with 30.7 per cent. in 2007. The increase in effective tax rate was primarily due to negative one-off impacts in 2008 related to the recognition of a tax provision following a tax audit in the US as well as the Teesside Power Limited impairment for which no tax deduction had been recognised. In addition, in 2007 the GDF SUEZ Energy International Division benefited from the recognition of tax free currency gains related to floating rate notes reimbursement that occurred that year and to the recognition of a non taxable capital gain on the disposal of the GDF SUEZ Energy International Division's interest in Calidda (Peru).

Liquidity and capital resources

Indebtedness

The following table shows the net financial indebtedness of the GDF SUEZ Energy International Division as at 30 June 2010 and 31 December 2009.

The financial information as at 30 June 2010 has been extracted without material adjustment from the Interim Combined Financial Information.

The financial information as at 31 December 2009 has been extracted without material adjustment from the Combined Financial Information.

	30 June 2010			*31 December 2009*		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*
	(In millions of euros)					
Outstanding borrowings and debt	9,198.4	5,353.9	14,552.2	7,722.9	4,100.6	11,823.4
Impact of measurement at amortised cost	0.1	77.5	77.6	3.8	43.5	47.2
Impact of fair value hedge[(1)]	0.0	0.0	0.0	0.0	0.0	0.1
Cash collateral	0.0	1.8	1.8	0.0	0.0	0.0
Borrowings and debt	9,198.5	5,433.1	14,631.6	7,726.7	4,144.0	11,870.7
Derivative instruments hedging borrowings under liabilities[(2)]	462.3	95.8	558.1	214.3	52.0	266.4
Gross debt	9,660.8	5,528.8	15,189.7	7,941.0	4,196.0	12,137.0
Financial assets at fair value through income	0.0	(18.1)	(18.1)	0.0	(2.5)	(2.5)
Cash and cash equivalents	0.0	(3,444.7)	(3,444.7)	0.0	(2,948.5)	(2,948.5)
Derivative instruments hedging borrowings under assets[(2)]	(140.8)	(6.2)	(147.0)	(129.4)	(33.5)	(162.9)
Net cash	(140.8)	(3,468.9)	(3,609.8)	(129.4)	(2,984.5)	(3,113.9)
Net debt	9,520.0	2,059.9	11,579.9	7,811.6	1,211.5	9,023.2
Outstanding borrowings and debt	9,198.4	5,353.9	14,552.2	7,722.9	4,100.6	11,823.4
Financial assets at fair value through income	0.0	(18.1)	(18.1)	0.0	(2.5)	(2.5)
Cash and cash equivalents	0.0	(3,444.7)	(3,444.7)	0.0	(2,948.5)	(2,948.5)
Net debt excluding the impact of derivative instruments and amortised cost	**9,198.4**	**1,891.1**	**11,089.4**	**7,722.9**	**1,149.5**	**8,872.4**

Notes

(1) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship

(2) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges.

Available cash, comprising cash and cash equivalents, financial assets qualifying and designated as at fair value through income, net of overdrafts, amounted to €3,452.1 million at 30 June 2010 (€2,921.8 million at 31 December 2009). The "Cash and cash equivalents" line item includes restricted cash of €214.7 million at 30 June 2010 (€67.4 million at 31 December 2009). Cash surpluses managed by special purpose vehicles are pooled as part of the GDF SUEZ Group cash pooling process.

At 30 June 2010, bank loans accounted for 48 per cent. of gross debt (excluding overdrafts and the impact of derivatives and amortised cost) (compared to 42 per cent. at 31 December 2009), borrowings from the Wider GDF SUEZ Group amounted to €5,717.4 million or 39 per cent. of gross debt (€5,064.4 million or 43 per cent. in 2009), while the remaining debt was raised on capital markets, that is €1,647.7 million in bonds, or 11 per cent. of gross debt (compared to 12 per cent. at 31 December 2009).

The breakdown of outstanding borrowings and debts by maturity is presented in the paragraphs below headed "*Contractual and contingent liabilities*".

At 30 June 2010, including the impact of financial instruments, 69 per cent. of net debt was denominated in US dollars and 16 per cent. in Brazilian real (52 per cent. and 15 per cent. respectively as at 31 December 2009), and 56 per cent. of net debt was at fixed rates (46 per cent. as at 31 December 2009).

At 30 June 2010, undrawn credit facilities amount to €394.6 million (€167.8 million at 31 December 2009). The maturities of the GDF SUEZ Energy International Division's confirmed undrawn credit facilities are analysed in note 15.1.3 to the Interim Combined Financial Information.

At 30 June 2010, there were no reported payment defaults on the combined debt. All GDF SUEZ Energy International Division entities were in compliance with the covenants and representations stipulated in their financial documentation, except:

- three entities were not in compliance with their documentation covenants; and
- one entity was not in compliance with certain financial covenants.

However, these companies have not defaulted on their payment obligations and as at the date of this Prospectus, the instances of non-compliance described above have been resolved for two entities. Waivers are pending in respect of the two other entities. Moreover, the non-compliance described above has no impact on the financing facilities available to the GDF SUEZ Energy International Division.

- Comparison of years ended 31 December 2009 and 2008

The following table shows the net financial indebtedness of the GDF SUEZ Energy International Division as at 31 December 2009 and 31 December 2008.

The financial information as at 31 December 2009 and 2008 has been extracted without material adjustment from the Combined Financial Information.

	31 December 2009			*31 December 2008*		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*
			(In millions of euros)			
Outstanding borrowings and debt	7,722.9	4,100.6	11,823.4	6,352.0	3,629.8	9,981.8
Impact of measurement at amortised cost	3.8	43.5	47.2	(8.3)	34.1	25.8
Impact of fair value hedge(1)	0.0	0.0	0.1	0.0	0.0	0.1
Borrowings and debt	7,726.7	4,144.0	11,870.7	6,343.8	3,663.9	10,007.7
Derivative instruments hedging borrowings under liabilities(2)	214.3	52.0	266.4	291.1	206.6	497.8
Gross debt	7,941.0	4,196.0	12,137.0	6,634.9	3,870.5	10,505.5
Financial assets at fair value through income	0.0	(2.5)	(2.5)	0.0	(4.6)	(4.6)
Cash and cash equivalents	0.0	(2,948.5)	(2,948.5)	0.0	(2,315.5)	(2,315.5)
Derivative instruments hedging borrowings under assets(2)	(129.4)	(33.5)	(162.9)	(249.7)	(1.0)	(250.7)
Net cash	(129.4)	(2,984.5)	(3,113.9)	(249.7)	(2,321.1)	(2,570.8)
Net debt	7,811.6	1,211.5	9,023.2	6,385.2	1,549.4	7,934.7
Outstanding borrowings and debt	7,722.9	4,100.6	11,823.4	6,352.0	3,629.8	9,981.8
Financial assets at fair value through income	0.0	(2.5)	(2.5)	0.0	(4.6)	(4.6)
Cash and cash equivalents	0.0	(2,948.5)	(2,948.5)	0.0	(2,315.5)	(2,315.5)
Net debt excluding the impact of derivative instruments and amortised cost	**7,722.9**	**1,149.5**	**8,872.4**	**6,352.0**	**1,309.7**	**7,661.7**

Notes

(1) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship

(2) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedge

Available cash, comprising cash and cash equivalents, financial assets qualifying and designated as at fair value through income, net of overdrafts, amounted to €2,921.8 million at 31 December 2009 (€2,282.8 million at 31 December 2008). The "Cash and cash equivalents" line item includes restricted cash of €67.4 million at 31 December 2009 (€131.3 million at 31 December 2008). Cash surpluses managed by special-purpose vehicles were pooled as part of the GDF SUEZ Group cash pooling process.

At 31 December 2009, bank loans accounted for 42 per cent. of gross debt (excluding overdrafts and the impact of derivatives and amortised cost) (compared to 40 per cent. at 31 December 2008), borrowings from the Wider GDF SUEZ Group amounted to €5,064.4 million or 43 per cent. of gross debt (€4,523.1 million or 45 per cent. in 2008), while the remaining debt was raised on capital markets, that is €1,427.4 million in bonds, or 12 per cent. of gross debt (compared to 10 per cent. at 31 December 2008).

The breakdown of outstanding borrowings and debts by maturity is presented in the paragraph below headed "*Contractual and contingent liabilities*".

Including the impact of financial instruments, 52 per cent. of net debt was denominated in US dollars, 15 per cent. in Brazilian real and 13 per cent. in Euros (respectively 54 per cent., 8 per cent. and 21 per cent. as at 31 December 2008), and 46 per cent. of net debt was at fixed rates (47 per cent. as at 31 December 2008).

Undrawn credit facilities amount to €167.8 million (€135.4 million at 31 December 2008). The maturities of the GDF SUEZ Energy International Division's confirmed undrawn credit facilities are analysed in note 15.1.3 to the Combined Financial Information. From time to time, the GDF SUEZ Energy International Division sets up lending facilities for financing certain entities whose credit limits and withdrawals are subject to financial ratios set on the borrower or guarantor. The level and definition of these ratios, also known as financial covenants, are set prospectively in agreement with lenders and can be adjusted during the life of the facilities.

At 31 December 2009, there were no reported payment defaults on the consolidated debt. All GDF SUEZ Energy International Division entities were in compliance with the covenants and representations stipulated in their financial documentation, except:

- four entities were not in compliance with their documentation covenants; and
- one entity was not in compliance with certain financial covenants.

These companies have not, however, defaulted on their payment obligations. The instances of non-compliance described above have all been resolved save for one. The unresolved instance of non-compliance has no impact on the financing facilities available to the GDF SUEZ Energy International Division.

- Comparison of years ended 31 December 2008 and 2007

The following table shows the net financial indebtedness of the GDF SUEZ Energy International Division as at 31 December 2008 and 31 December 2007.

The financial information as at 31 December 2008 and 2007 has been extracted without material adjustment from the Combined Financial Information.

	31 December 2008			31 December 2007		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*
	(In millions of euros)					
Outstanding borrowings and debt	6,352.0	3,629.8	9,981.8	2,818.1	3,570.0	6,388.0
Impact of measurement at amortised cost	(8.3)	34.1	25.8	(9.8)	8.5	(1.3)
Impact of fair value hedge(1)	0.0	0.0	0.1	0.0	0.0	0.0
Borrowings and debt	6,343.8	3,663.9	10,007.7	2,808.2	3,578.5	6,386.7
Derivative instruments hedging borrowings under liabilities(2)	291.1	206.6	497.8	106.0	4.0	110.0
Gross debt	6,634.9	3,870.5	10,505.5	2,914.3	3,582.5	6,496.7
Financial assets at fair value through income	0.0	(4.6)	(4.6)	0.0	(385.0)	(385.0)
Cash and cash equivalents	0.0	(2,315.5)	(2,315.5)	0.0	(889.6)	(889.6)
Derivative instruments hedging borrowings under assets(2)	(249.7)	(1.0)	(250.7)	(153.4)	0.3	(153.1)
Net cash	(249.7)	(2,321.1)	(2,570.8)	(153.4)	(1,274.3)	(1,427.7)
Net debt	6,385.2	1,5494	7,934.7	2,760.9	2,308.1	5,069.0
Outstanding borrowings and debt	6,352.0	3,629.8	9,981.8	2,818.1	3,570.0	6,388.0
Financial assets at fair value through income	0.0	(4.6)	(4.6)	0.0	(385.0)	(385.0)
Cash and cash equivalents	0.0	(2,315.5)	(2,315.5)	0.0	(889.6)	(889.6)
Net debt excluding the impact of derivative instruments and amortised cost	**6,352.0**	**1,309.7**	**7,661.7**	**2,818.1**	**2,295.4**	**5,113.4**

Notes

(1) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship

(2) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedge

Available cash, comprising cash and cash equivalents, financial assets qualifying and designated as at fair value through income, net of overdrafts, amounted to €2,282.8 million at 31 December 2008 (€1,236.0 million at 31 December 2007). The "Cash and cash equivalents" line item includes restricted cash of €131.3 million at 31 December 2008 (€135.1 million at 31 December 2007). Cash surpluses managed by special-purpose vehicles were pooled as part of the GDF SUEZ Group cash pooling process.

At 31 December 2008, bank loans accounted for 40 per cent. of gross debt (excluding overdrafts and the impact of derivatives and amortised cost) (compared to 35 per cent. at 31 December 2007), borrowings from the Wider GDF SUEZ Group amounted to €4,523.1 million or 45 per cent. of gross debt (€3,260.1 million or 51 per cent. in 2007), while the remaining debt was raised on capital markets, that is €1,034.2 million in bonds, or 10 per cent. of gross debt (compared to 13 per cent. at 31 December 2007).

The breakdown of outstanding borrowings and debts by maturity is presented in the paragraphs below headed "*Contractual and contingent liabilities*".

Including the impact of financial instruments, 54 per cent. of net debt is denominated in US dollars, 21 per cent. in Euros and 8 per cent. in Brazilian real (respectively 52 per cent., 36 per cent. and 1 per cent. as at 31 December 2007), and 47 per cent. of net debt is at fixed rates (40 per cent. as at 31 December 2007).

Undrawn credit facilities amount to €135.4 million as at 31 December 2008 (€5.0 million at 31 December 2007). The maturities of the GDF SUEZ Energy International Division's confirmed undrawn credit facilities are analysed in note 15.1.3 to the Combined Financial Information.

From time to time, the GDF SUEZ Energy International Division sets up lending facilities for financing certain entities whose credit limits and withdrawals are subject to financial ratios set on the borrower or guarantor. The level and definition of these ratios, also known as financial covenants, are set prospectively in agreement with lenders and can be adjusted during the life of the facilities.

At 31 December 2008, there were no reported payment defaults on the consolidated debt. All GDF SUEZ Energy International Division entities were in compliance with the covenants and representations stipulated in their financial documentation, except:

- four entities were not in compliance with their documentation covenants (one entity at 31 December 2007); and
- one entity was not in compliance with certain financial covenants (none at 31 December 2007).

The instances of non-compliance described above have all been resolved.

Cash flow information

- Comparison of the six months ended 30 June 2010 and 2009

Set out below are the condensed combined cash flow statements of the Combined Financial Information for the six month periods ended 30 June 2010 and 30 June 2009 which have been extracted without material adjustment from the Interim Combined Financial Information.

	30 June 2010	*30 June 2009*
	(In millions of euros)	
Cash generated from operations before income tax and working capital requirements	1,171.7	992.8
Tax paid	(248.1)	(195.4)
Change in working capital requirements	64.1	(374.5)
Cash flow from operating activities	987.6	422.9
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(1,079.2)	(905.6)
Gain (net of losses) of control of subsidiaries net of cash and cash equivalents acquired(2)	(157.9)	(101.2)
Others	56.1	(164.6)
Cash flow used in investing activities	(1,181.1)	(1,171.4)
Distribution	(133.5)	(174.7)
Increase in/(Repayment of) borrowings and debt	652.4	880.9
Others	(70.1)	(138.2)
Cash flow from (used in) financing activities(1)	448.7	567.9
Effect of changes in exchange rates and other	240.9	(35.4)
Total Cash Flow for the Period	496.2	(215.9)
Cash and Cash Equivalents at beginning of Period	2,948.5	2,315.5
Cash and Cash Equivalents at end of Period	**3,444.7**	**2,099.6**

Notes

(1) In accordance with revised IAS 27, cash flows resulting from changes in ownership interests in controlled entities are now accounted for in "Cash flow from (used in) financing activities" in the statement of cash flows. Until 31 December 2009, such cash flows were accounted for in "Cash flow used in investing activities". Comparative data for the six month period ended 30 June 2009 has been restated in order to present the cash flows concerned in accordance with this new presentation.

Total cash and cash equivalents at 30 June 2010 were €3,444.7 million. The net cash inflow for the six-month period ended 30 June 2010 amounted to €496.2 million, compared to a net cash outflow of €215.6 million for the six-month period ended 30 June 2009. This change was primarily driven by the increase in cash generated from operations before income tax and working capital requirements (increase by €178.9 million), and to the reduction in working capital requirements (primarily due to margin calls and marking-to-market commodity derivative instruments mainly in North-America).

The net cash outflow in the six-month period ended 30 June 2010 from investing activities was €1,181.1 million compared to €1,171.4 million for the six months ended 30 June 2009. Investments during the first-half of 2010 totalled €1,241.3 million, of which €1,083.7 million related to the acquisition of property, plant and equipment and intangible assets, in particular the ongoing construction of the Gheco One and Glow power plants in Asia, and the Jirau, Estreito and Dos Mares power plants in Latin America. Other impacts related mainly to changes in loans and receivables. The other investments were the acquisition of Astoria and the acquisition by the GDF SUEZ Energy International Division of a controlling interest in the Chilean entities (see note 2 to the Interim Combined Financial Information).

The net cash inflow for the six-month period ended 30 June 2010 from financing activities was €448.7 million compared to €567.9 million for the six months ended 30 June 2009, with a lower net increase in borrowings and debt. Other impacts related mainly to the payment of interest.

The change in "effect of changes in the exchange rates and other" for the six-month period ended 30 June 2010 (€240.9 million) and 30 June 2009 (€(35.4) million) resulted from the impact of exchange rate fluctuations affecting the Brazilian Real.

- Comparison of the years ended 31 December 2009 and 2008

  Set out below are the condensed combined cash flow statements of the Combined Financial Information for the years ended 31 December 2009 and 31 December 2008 which have been extracted without material adjustment from the Combined Financial Information.

	31 December 2009	*31 December 2008*
	(In millions of euros)	
Cash generated from operations before income tax and working capital requirements	1,984.3	1,803.8
+ Tax paid	(289.9)	(292.1)
Change in working capital requirements	(152.2)	(293.4)
Cash flow from operating activities	1,542.2	1,218.3
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(2,141.1)	(1,442.1)
Acquisitions (net of disposals) of entities net of cash and cash equivalents acquired	(73.1)	(1,358.3)
Others	126.4	(161.4)
Cash flow used in investing activities	(2,087.9)	(2,961.8)
Distribution	(260.9)	(223.8)
Net increase in borrowings and debt	1,443.2	1,962.4
Contribution	281.6	1,226.9
Others	(277.8)	(237.9)
Cash flow from (used in) financing activities	1,186.2	2,727.6
Effect of changes in consolidation method, exchange rates and other	(7.5)	441.9
Total Cash Flow for the Period	633.0	1,425.9
Cash and Cash Equivalents at beginning of Period	2,315.5	889.6
Cash and Cash Equivalents at end of Period	**2,948.5**	**2,315.5**

Total cash and cash equivalents at 31 December 2009 amounted to €2,948.5 million, an increase of €633 million compared to 31 December 2008, of which €323.9 million came from operating activities.

Cash generated from operations before income tax and working capital requirements was €1,984.3 million for 2009, a rise of 10.0 per cent. on a reported basis compared with 2008. Growth was boosted by the same factors which positively impacted EBITDA described above (up 10 per cent.).

The net cash outflow in 2009 from investing activities totalled €2,087.9 million compared to €2,961.8 million in 2008. This reduction primarily resulted from the decrease in financial investments compared to 2008, partially offset by the increase in the acquisition of property, plant and equipment and intangible assets that relate in particular to the construction of different power plants in Brazil, Chile, Thailand and the US, and the construction of LNG terminals in the US and Chile. Other impacts relate mainly to changes in loans and receivables.

The net cash inflow in 2009 from financing activities was €1,186.2 million compared to €2,727.6 million in 2008. This reduction primarily resulted from lower contributions and change in debts. Contributions represented the acquisition price of entities (primarily Izgaz) within the carved out businesses that were acquired during the period and that were accounted for as if the acquisition was funded by capital contribution from GDF SUEZ. Other impacts related mainly to the payment of interest.

The effect of changes in the exchange rates in 2009 was mainly due to exchange rate fluctuations affecting the Brazilian Real.

- Comparison of the years ended 31 December 2008 and 2007

  Set out below are the combined cash flow statements of the Combined Financial Information for the years ended 31 December 2008 and 2007 which have been extracted without material adjustment from the Combined Financial Information.

	31 December 2008	*31 December 2007*
	(In millions of euros)	
Cash generated from operations before income tax and working capital requirements	1,803.8	1,603.8
Tax paid	(292.1)	(157.1)
Change in working capital requirements	(293.4)	83.9
Cash flow from operating activities	1,218.3	1,530.6
Acquisitions (net of disposals) of property, plant and equipment and intangible assets	(1,442.1)	(510.9)
Acquisitions (net of disposals) of entities net of cash and cash equivalents acquired	(1,358.3)	(79.2)
Others	(161.4)	(111.7)
Cash flow used in investing activities	(2,961.8)	(701.8)
Distribution	(223.8)	(605.2)
Net increase in borrowings and debt	1,962.4	440.0
Contribution	1,226.9	2.4
Others	(237.9)	(434.1)
Cash flow from (used in) financing activities	2,727.6	(596.9)
Effect of changes in consolidation method, exchange rates and other	441.9	(125.4)
Total Cash Flow for the Period	1,425.9	106.5
Cash and Cash Equivalents at beginning of Period	889.6	783.1
Cash and Cash Equivalents at end of Period	2,315.5	889.6

Total cash and cash equivalents at 31 December 2008 was €2,315.5 million, an increase of €1,425.9 million compared to 31 December 2007. This increase was primarily due to financing activities.

The net cash inflow in 2008 from operating activities was €1,218.3 million compared to €1,530.6 million in 2007, a decrease of €312.3 million or 20 per cent. on a reported basis. The increase in net income was more than off-set by the increase in working capital requirements.

The net cash outflow in 2008 from investing activities was €2,961.8 million compared to €701.8 million in 2007. This increase resulted from financial investments realised in 2008 (mainly the acquisitions of FirstLight and Senoko Power), as well as from the acquisition of tangible assets (through the construction of different power plants in Brazil, Chile, Panama, Thailand and the US, and of LNG terminals in Chile and the US). Other impacts related mainly to changes in loans and receivables.

The net cash inflow in 2008 from financing activities was €2,727.6 million compared to a cash outflow of €596.9 million in 2007. This increase primarily resulted from an increase in borrowings and debt, as well as from contributions. These contributions reflected the cash received by the companies within the GDF SUEZ Energy International Division from GDF SUEZ companies within the Wider GDF SUEZ Group as part of internal reorganisations that occurred in 2008. Other impacts relate mainly to the payment of interests.

The difference between the "effect of changes in consolidation method, exchange rates and other" in 2008 (€441.9 million) and 2007 (negative (€125.4 million) related mainly to the changes in the perimeter of the merger between Gaz de France and SUEZ due to the addition of the Mexican entities following the merger between Gaz de France and SUEZ.

Contractual and Contingent Liabilities

Six months ended 30 June 2010

The following table summarises the main obligations of the GDF SUEZ Energy International Division at 30 June 2010 impacting its future cash flows. It encompasses the outstanding borrowings and related interest payments, off-balance sheet commitments such as operating leases, irrevocable commitments under which the GDF SUEZ Energy International Division has undertaken to purchase tangible assets, and other long term commitments.

	At 30 June 2010				
	Total	*Due within 6 months*	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)				
Bond issues	1,647.7	113.1	391.1	445.9	697.6
Drawdowns on credit facilities	562.4	0.8	0.0	188.7	372.9
Liabilities under finance leases	366.6	1.2	7.1	58.7	299.6
Other bank borrowings	6,081.0	84.0	460.9	1,956.2	3,580.0
Other borrowings(1)	5,883.8	4,189.1	95.9	0.0	1,598.8
Bank overdrafts and current accounts	10.7	10.7	0.0	0.0	0.0
Outstanding borrowings	14,552.2	4,398.9	955.0	2,649.5	6,548.8
Contractual undiscounted cash flows on interest payments	5,240.6	248.9	496.9	1,338.7	3,156.1
Total	**19,792.8**	**4,647.8**	**1,451.8**	**3,988.2**	**9,705.0**

	At 30 June 2010				
	Total	*Due within 6 months*	*Due within 1 year*	*Due within 1-2 years*	*Due after 5 years*
	(In millions of euros)				
Operating leases	264.5	25.5	41.9	102.4	94.7
Irrevocable purchase commitments	2,903.8	951.8	1,111.1	503.1	337.9
Other long-term commitments	711.8	0.0	0.7	265.5	445.7

(1) Other borrowings comprise borrowings from the Wider GDF SUEZ Group, which amounted to €5,717.4 million at 30 June 2010.

Included in the table above at 30 June 2010 are commitments for capital expenditures of approximately €2,904 million. These commitments related mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation units), as well as to long term maintenance contracts entered into with third parties. The increase in the first half of 2010 resulted mainly from firm purchase commitments in connection with the construction of the combined cycle power plant at Chilca One in Peru and from the firm purchase commitments in connection with several merchant plants in North America. The GDF SUEZ Energy International Division reviews its liquidity need on a regular basis.

The table above does not include obligations related to pension and other employee benefit plans. At 30 June 2010, the projected benefit obligations related to these plans exceeded assets of the plans by €150 million. There are also provisions for dismantling of plant and equipment which have not been included in the table above as these obligations settle on a long-term basis.

Some operating GDF SUEZ Energy International Division companies have also entered into various long-term contracts and ''take-or-pay'' contracts for the purchase (sale) of specified quantities of gas electricity and steam and related services that could impact the operating results, liquidity and capital resources of the GDF SUEZ Energy International Division. These commitments are presented in note 15.2.5 to the Interim Combined Financial Information.

The GDF SUEZ Energy International Division monitors all of its contingent liabilities, including matters relating to the environment, via a process of consultation and evaluation which includes senior management, internal and external legal advisers and internal and external technical advisers. This process results in conclusions with respect to potential exposure and it makes or adjusts provisions accordingly by reference to accounting principles. The GDF SUEZ Energy International Division has provided for contingencies which are likely to become payable in the future. None of these contingencies is material to its financial condition, results of operations or liquidity.

Update to 30 September 2010

The following table summarises the main obligations regarding outstanding borrowings and related interest payments of the GDF SUEZ Energy International Division at 30 September 2010 impacting its future cash flows. The following table does not reflect off-balance sheet commitments such as operating leases, irrevocable commitments under which the GDF SUEZ Energy International Division has undertaken to purchase tangible assets, and other long term commitments.

	At 30 September 2010				
	Total	*Due within 3 months*	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)				
Bond issues	1,557.6	0.0	463.8	451.5	642.3
Drawdowns on credit facilities	473.7	0.0	13.4	68.0	392.4
Liabilities under finance leases	342.1	1.9	44.1	54.6	241.6
Other bank borrowings	5,814.4	57.1	404.9	2,025.9	3,326.5
Other borrowings[(1)]	5,671.6	4,143.6	92.4	818.2	617.4
Bank overdrafts and current accounts	9.1	9.1	0.0	0.0	0.0
Outstanding borrowings	**13,868.6**	**4,211.6**	**1,018.5**	**3,418.2**	**5,220.2**
Contractual undiscounted cash flows on interest payments	4,933.9	146.0	528.2	1,755.4	2,504.2
Total	**18,802.5**	**4,357.7**	**1,546.7**	**5,173.6**	**7,724.4**

(1) Other borrowings comprise borrowings from the Wider GDF SUEZ Group, which amounted to €5,571.5 million at 30 September 2010.

The table above does not include obligations related to pension and other employee benefit plans. At 30 September 2010, the projected benefit obligations related to these plans exceeded assets of the plans by €141 million. There are also provisions for dismantling of plant and equipment which have not been included in the table above as these obligations settle on a long-term basis.

The GDF SUEZ Energy International Division monitors all of its contingent liabilities, including matters relating to the environment, via a process of consultation and evaluation which includes senior management, internal and external legal advisers and internal and external technical advisers. This process results in conclusions with respect to potential exposure and it makes or adjusts provisions accordingly by reference to accounting principles. The GDF SUEZ Energy International Division has provided for contingencies which are likely to become payable in the future. None of these contingencies is material to its financial condition, results of operations or liquidity.

Year ended 31 December 2009

The following table summarises the main obligations of the GDF SUEZ Energy International Division at 31 December 2009 impacting on future cash flows. It encompasses outstanding borrowings and related interest payments, off-balance sheet commitments such as operating leases, irrevocable commitments under which the GDF SUEZ Energy International Division has undertaken to purchase tangible assets, and other long term commitments.

	At 31 December 2009			
	Total	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)			
Bond issues	1,427.4	258.6	740.1	428.8
Drawdowns on credit facilities	162.3	(0.0)	96.9	65.4
Liabilities under finance leases	328.4	36.2	64.5	227.8
Other bank borrowings	4,455.5	304.0	1,939.4	2,212.1
Other borrowings(1)	5,420.5	3,472.5	446.9	1,501.0
Bank overdrafts and current accounts	29.2	29.2	0.0	0.0
Outstanding borrowings	**11,823.4**	**4,100.6**	**3,287.8**	**4,435.1**
Contractual undiscounted cash flows on interest payments	4,085.5	414.9	1,526.4	2,144.2
Total	**15,908.9**	**4,515.4**	**4,814.2**	**6,579.3**

	At 31 December 2009			
	Total	*Due within 1 year*	*Due within 1-2 years*	*Due after 5 years*
	(In millions of euros)			
Operating leases	589.8	56.8	210.4	322.6
Irrevocable purchase commitments	2,348.9	1,117.3	986.7	244.9
Other long-term commitments	588.2	1.8	219.6	366.8

(1) Other borrowings comprise borrowings from the Wider GDF SUEZ Group, which amounted to €5,064.4 million at 31 December 2009.

Included in the table above at 31 December 2009 are commitments for capital expenditures of approximately €2,349 million. These commitments related mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation units), as well as to long term maintenance contracts entered into with third parties. The increase in 2009 compared to 2008 results from firm commitments in connection with the construction a new hydro power plant in Jirau and new long term maintenance agreements, offset by commitment consumptions during the period.

The table above does not include obligations related to pension and other employee benefit plans. At 31 December 2009, the projected benefit obligations related to these plans exceeded assets of the plans by €133 million. There are also provisions for dismantling of plant and equipment which have not been included in the table above as these obligations settle on a long-term basis.

Some operating GDF SUEZ Energy International Division companies have also entered into various long-term contracts and "take-or-pay" contracts for the purchase (sale) of specified quantities of gas, electricity and steam and related services that could impact its operating results, liquidity and capital resources. These commitments are presented in note 15.2.4 to the Combined Financial Information.

Year ended 31 December 2008

The following table summarises the main obligations of the GDF SUEZ Energy International Division at 31 December 2008 impacting future cash flows. It encompasses outstanding borrowings and related interest payments, off-balance sheet commitments such as operating leases, irrevocable commitments under which the GDF SUEZ Energy International Division has undertaken to purchase tangible assets, and other long term commitments.

	At 31 December 2008			
	Total	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)			
Bond issues	1,034.2	113.7	499.9	420.5
Drawdowns on credit facilities	140.6	61.8	20.5	58.2
Liabilities under finance leases	360.1	24.2	68.6	267.2
Other bank borrowings(1)	3,484.1	323.8	1,724.7	1,435.5
Other borrowings	4,925.6	3,068.9	574.1	1,282.6
Bank overdrafts and current accounts	37.3	37.3	0.0	0.0
Outstanding borrowings	9,981.9	3,629.8	2,887.9	3,464.1
Contractual undiscounted cash flows on interest payments	2,632.9	349.9	1,097.8	1,185.1
Total	**12,614.7**	**3,979.7**	**3,985.8**	**4,649.3**

	At 31 December 2008			
	Total	*Due within 1 year*	*Due within 1-2 years*	*Due after 5 years*
	(In millions of euros)			
Operating leases	257.1	41.0	121.6	94.6
Irrevocable purchase commitments	1,778.8	984.0	670.3	124.6
Other long-term commitments	352.1	0.2	351.9	0.0

(1) Other borrowings comprise borrowings from the Wider GDF SUEZ Group, which amounted to €4,523.1 million at 31 December 2008.

Included in the table above at 31 December 2008 are commitments for capital expenditures of approximately €1,779 million. These commitments related mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation units), as well as to long term maintenance contracts entered into with third parties. The increase in 2008 compared to 2007 (€1,111 million) results mainly from firm commitments to purchase tangible assets in connection with the construction of a new coal power plant in Thailand and the repowering project Senoko Power, offset by commitment consumptions during the period.

The table above does not include obligations related to pension and other employee benefit plans. At 31 December 2008, the projected benefit obligations related to these plans exceeded assets of the plans by €164 million. There are also provisions for dismantling of plant and equipment which have not been included in the table above as these obligations settle on a long-term basis.

Some operating GDF SUEZ Energy International Division companies have also entered into various long-term contracts and "take-or-pay" contracts for the purchase (sale) of specified quantities of gas, electricity and steam and related services that could impact its operating results, liquidity and capital resources. These commitments are presented in note 15.2.4 to the Combined Financial Information.

The GDF SUEZ Energy International Division anticipates that any liquidity needs will be covered by existing cash and cash equivalents, operation cash flows, and new credit facilities.

Year ended 31 December 2007

The following table summarises the main obligations of the GDF SUEZ Energy International Division at 31 December 2007 impacting future cash flows. It encompasses outstanding borrowings and related interest payments, off-balance sheet commitments such as operating leases, irrevocable commitments under which the GDF SUEZ Energy International Division has undertaken to purchase tangible assets, and other long term commitments.

	At 31 December 2007			
	Total	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)			
Bond issues	821.9	100.8	543.4	177.7
Drawdowns on credit facilities	0.0	0.0	0.0	0.0
Liabilities under finance leases	294.7	16.2	48.7	229.9
Other bank borrowings	1,951.9	220.5	892.4	839.0
Other borrowings(1)	3,280.9	3,193.9	75.2	11.8
Bank overdrafts and current accounts	38.6	38.6	0.0	0.0
Outstanding borrowings	6,388.0	3,570.0	1,559.6	1,258.4
Contractual undiscounted cash flows on interest payments	1,245.0	228.3	529.6	487.1
Total	**7,633.0**	**3,798.3**	**2,089.2**	**1,745.5**

	At 31 December 2007			
	Total	*Due within 1 year*	*Due within 1-5 years*	*Due after 5 years*
	(In millions of euros)			
Operating leases	223.3	26.5	82.1	114.6
Irrevocable purchase commitments	1,321.7	750.7	377.9	193.1
Other long-term commitments	245.0	0.2	244.7	0.0

(1) Other borrowings comprise borrowings from the Wider GDF SUEZ Group, which amounted to €3,260.1 million at 31 December 2007.

Included in the table above at 31 December 2007 are commitments for capital expenditures of approximately €1,322 million. These commitments related mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation units), as well as to long term maintenance contracts entered into with third parties. The increase recorded in 2007 resulted mainly from firm commitments in connection with the construction of new hydro power plant in Estreito, a new thermal power plant project in Chile and different projects around LNG activities in Chile and the US.

The table above does not include obligations related to pension and other employee benefit plans. At 31 December, 2007, the projected benefit obligations related to these plans exceeded assets of the plans by €175 million. There are also provisions for dismantling of plant and equipment which have not been included in the table above as these obligations settle on a long-term basis.

Some operating GDF SUEZ Energy International Division companies have entered into various long-term contracts and ''take-or-pay'' contracts for the purchase (sale) of specified quantities of gas, electricity and steam and related services that could impact its operating results, liquidity and capital resources. These commitments are presented in note 15.2.4 to the Combined Financial Information.

Borrowings and Indebtedness

This section hereafter presents a description of the principal GDF SUEZ Energy International borrowing facilities and indebtedness.

Brazilian Real Bonds 2011 issued by Tractebel Energia S.A.

On 1 April 2009, Tractebel Energia S.A., a company within the GDF SUEZ Energy International Division and incorporated in Brazil, launched a R$605,009,400 unsecured bonds issue due in 2011 (the "**2011 Bonds**"). The 2011 Bonds cannot be redeemed in advance. As at 30 November 2010, the principal amount outstanding in relation to the 2011 Bonds was R$611,684,283.61. The 2011 Bonds will be paid in full on the maturity date which is 1 April 2011 at a redemption price equivalent to their principal amount (together with accrued interest). The 2011 Bonds are also subject to a number of customary triggers for early maturity including, among others, a failure to pay debts or early maturity of any financial debt, in an amount exceeding R$40 million; bankruptcy or liquidation; spin-off or merger with another corporation, without the prior approval of the bondholders representing the majority of the bonds trading in the market; direct or indirect change in shareholding control of Tractebel Energia S.A.; the sale, non-operation or any other arrangement in respect of permanent assets which represent, 25 per cent. or more of the electricity generation capacity of Tractebel Energia S.A.; and the loss of a licence or authorisation to undertake power generation activities.

2021 Chilean Notes

On 16 December 2010, E-CL S.A., a Chilean subsidiary within the GDF SUEZ Energy International Division, issued US$400 million unsecured 144A/Reg S 5.625% notes due on 15 January 2021 at a re-offer price of 98.432 per cent. The 2021 Chilean Notes may be redeemed in advance of the maturity date at E-CL S.A.'s option. The 2021 Chilean Notes are subject to a number of customary covenants (including restrictions on liens and the consolidation or merger of E-CL S.A.) and customary events of default (including a default in the payment of the principal, or interest thereon, of debts incurred by E-CL S.A. or any of its subsidiaries having a principal aggregate amount that exceeds US$40 million and a bankruptcy or liquidation event in respect of E-CL S.A. or its significant subsidiaries). The proceeds from the issue of the 2021 Chilean Notes will principally be used to repay the existing shareholder indebtedness of E-CL S.A.

The Sohar Power Company Term Loan Facilities

The Sohar Power Company, being a company within the GDF SUEZ Energy International Division, has taken out US$454,500,000 term loan facilities (the "**SPC Term Loan Facilities**") with, among others, BNP Paribas S.A., Standard Chartered Bank, Bayerische Landesbank (acting through its London Branch), KBC Finance Ireland, HSBC Bank Middle East Limited, Sumitomo Mitsui Banking Corporation, Bank Muscat S.A.O.G. and Gulf International Bank BSC S.A.O.G (as the Mandated Lead Arrangers) and HSBC Bank plc as Facility Agent pursuant to the terms of a facilities agreement dated 21 November 2004 and amended and restated on 31 March 2008 (the "**SPC Facilities Agreement**"). The SPC Term Loan Facilities may be used for the purposes of financing project costs associated with the construction of the Sohar power plant or the repayment of an equity bridge loan. The SPC Term Loan Facilities mature on 31 March 2025.

The SPC Facilities Agreement provides for margins of up to 1.75 per cent. per annum depending on the period when the advance is made as follows:

(i) 1.15 per cent. per annum during the period from, and including, financial close until the commercial operation date of the Sohar power plant (the "**Sohar COD**");

(ii) 1.10 per cent. per annum during the period from, and including, the Sohar COD until 31 March 2008;

(iii) 0.80 per cent. per annum from, and including, 1 April 2008 until 31 March 2013;

(iv) 0.90 per cent. per annum from, and including, 1 April 2013 until 31 March 2018;

(v) 1.15 per cent. per annum from, and including, 1 April 2018 until 31 March 2022; and

(vi) thereafter 1.75 per cent. per annum.

The SPC Facilities Agreement includes various events of default customary for this type of project financing, in particular a debt service coverage ratio event of default set at 1.01:1.

The SPC Facilities Agreement also contains customary positive and negative covenants for this type of project financing.

First Light Power Resources, Inc.

First Light Power Resources, Inc., a company within the GDF SUEZ Energy International Division, has taken out a US$550 million first lien term loan (with US$353 million outstanding at 30 November 2010) (the "**First Lien Term Loan**") with Goldman Sachs Credit Partners L.P. as Administrative and Collateral Agent pursuant to the terms of a First Lien Credit and Guaranty Agreement dated 1 November 2006.

First Light Power Resources, Inc. has also taken out a US$170 million second lien term loan which is outstanding in full (the "**Second Lien Term Loan**") with Unionbancal Equities, Inc. as Administrative Agent and Union Bank of California, N.A. as Second Lien Collateral Agent pursuant to the terms of a Second Lien Credit and Guaranty Agreement dated 1 November 2006.

On 18 October 2001, First Light Hydro Generating Company, a subsidiary of First Light Power Resources, Inc., issued US$440 million in bonds (with US$297 million outstanding at 30 November 2010) pursuant to an Indenture and a First Supplemental Indenture with The Bank of New York (now known as Bank of New York Mellon) as Trustee dated 18 October 2001 (the "**First Light Hydro Bonds**" and together with the First Lien Term Loan and the Second Lien Term Loan, the "**First Light Credit Facilities**"). The First Light Credit Facilities may be used for general corporate purposes. The First Lien Term Loan matures on 1 November 2013, the Second Lien Term Loan matures on 1 May 2014 and the First Light Hydro Bonds mature on 15 October 2026.

The First Lien Term Loan and Second Lien Term Loan have a floating rate of interest which is LIBOR plus 250 and LIBOR plus 450 basis points, respectively. The LIBOR rate for approximately 85 per cent. of the debt has been hedged through to 2014 at rates of 5.3 per cent., 5.195 per cent. and 3.334 per cent. The First Light Hydro Bonds have a fixed coupon of 8.812 per cent.

The First Lien Term Loan has 1 per cent. scheduled annual amortisation.

However, as a result of optional prepayments in excess of the scheduled amortisation, no additional scheduled payments are required prior to maturity. There are mandatory cash flow sweeps of either 75 per cent. or 100 per cent. of cash flow which level is determined based on whether certain debt targets are achieved (most recently a 100 per cent. cash sweep has applied). There is no scheduled amortisation applied to the Second Lien Term Loan, and cash sweeps only apply after full repayment of the First Lien Term Loan. The First Light Hydro Bonds amortise in half-yearly instalments.

Associated with the First Light Credit Facilities is a pledge of all real and personal property of First Light Power Resources, Inc. and the pledge of the upstream ownership interests in First Light Power Resources, Inc. A first lien security interest over the assets of First Light Hydro Generating Company has been pledged under the First Light Hydro Bonds. The bondholders could realise their collateral in an event of default under the First Light Hydro Bonds, which could include, among other things, payment defaults, customary bankruptcy and insolvency events, cross default by the issuer on U$15 million of additional debt, failure to comply with certain final legal judgments and breaches of other covenants. In connection with the First Light First Lien Credit Facilities, there is a pledge of all other real and personal property of First Light Power Resources, Inc. and the pledge of the upstream ownership interests in First Light Power Resources, Inc. The First Light Second Lien facilities carry a second lien pledge over the same assets as the First Light First Lien Credit Facilities. The lenders are able to accelerate and/or foreclose on the collateral following events of default including payment defaults, customary bankruptcy and insolvency events, cross default by the issuer on U$15 million of additional debt, failure to comply with certain final legal judgments, breaches of other covenants and change of control events.

Upon the occurrence of an event of default, subject to certain customary cure periods, the lenders may accelerate the repayment of the loans.

The First Light Credit Facilities contain customary operating and negative covenants. The First Light Credit Facilities contain customary financial maintenance covenants, which include:

- EBITDA/Interest; and
- Debt/EBITDA (there are different trigger levels for the First Lien Term Loan and the Second Lien Term Loan).

Breaches of these financial maintenance covenants may be cured up to five times over the course of the financings but no more than two times in any four consecutive financial quarters. First Light Power Resources, Inc., has used the second of its available equity cures in the third quarter of 2010.

In addition to the financial covenants, there are also annual limitations on capital expenditures and the ability to incur capital expenditures if certain coverage ratios are not maintained.

*The Astoria Energy LLC ("**Astoria**") Financing*

Astoria Energy LLC, a company within the GDF SUEZ Energy International Division, has taken out a US$515 million loan (with US$351 million outstanding at 30 November 2010) (the "**Astoria First Lien Term Loan**") with Calyon New York Branch as Administrative Agent pursuant to the terms of a First Lien Credit Agreement dated 5 April 2006 (the "**First Lien Credit Agreement**").

Astoria Energy LLC has also taken out a US$210 million loan (which was outstanding in full at 30 November 2010) (the "**Astoria Second Lien Term Loan**") with Calyon New York Branch as Administrative Agent pursuant to the terms of a Second Lien Credit Agreement dated 5 April 2006 (the Astoria First Lien Term Loan and the Astoria Second Lien Term Loan, collectively being the "**Astoria Credit Facilities**"). The Astoria Credit Facilities were used to fund the construction of the Astoria power project and for general corporate purposes. The Astoria First Lien Term Loan matures on 30 April 2016 and the Astoria Second Lien Term Loan matures on 30 April 2021.

The Astoria First Lien Term Loan and Astoria Second Lien Term Loan have a fixed rate of interest which is 7.095 per cent. and 10.195 per cent., respectively. The Astoria First Lien Term Loan has monthly scheduled amortisation. The provisions of the Astoria Credit Facilities require that a target amortisation be achieved before dividend payments can be made. There is no scheduled amortisation or cash sweep applied to the Astoria Second Lien Term Loan.

Associated with the Astoria Credit Facilities is a pledge of all real and personal property of Astoria Energy LLC and a pledge of the upstream ownership interests in Astoria Energy LLC. Upon the occurrence of an event of default, subject to certain customary cure periods, the lenders may accelerate repayment of the loans. The lenders are able to accelerate and/or foreclose on the collateral following events of default including but not limited to payment defaults, customary bankruptcy and insolvency events, cross default by the issuer on U$10 million of additional debt, failure to comply with certain final legal judgments, breaches of other covenants and terminations of certain material project contracts, regulatory approvals and/or permits. The Astoria Credit Facilities contain customary operating and negative covenants (including restrictions on the ability to make dividend payments), but there are no financial covenants in place.

*Choctaw Generation Limited Partnership ("**CGLP**") Financing*

Choctaw Generation Limited Partnership, incorporated in the US and within the GDF SUEZ Energy International Division, is lessee of the Red Hills power plant. The owner lessor is SE Choctaw, L.L.C., a subsidiary of Southern Company.

A US$320 million bond financing (with US$293 million outstanding at 30 November 2010) (the "**Red Hills Bonds**") was entered into with Citibank, N.A. as trustee pursuant to the terms of a Participation Agreement dated 31 October 2002. The Red Hills Bonds were used to fund the long term debt of the Red Hills power project and for general corporate purposes at the start of the lease financing. The Red Hills Bonds are structured in two series which mature in 15 June 2023 and 15 June 2030, respectively.

The Red Hills Bonds have a fixed rate of interest which is 8.368 per cent. and 9.516 per cent. for Series A and Series B, respectively. CGLP makes half-yearly rent payments, a portion of which are for scheduled principal and interest.

Associated with the Red Hills Bonds is a pledge of all real and personal property of CGLP and the pledge of the upstream ownership interests in CGLP. Upon the occurrence of an event of default under the Red Hills Bonds, subject to certain customary cure periods, the lenders may accelerate the loans. The Red Hills Bonds contain customary operating and negative covenants, but there are no financial covenants in place.

The Senoko Power Senior Credit Facility

Senoko Power, a company within the GDF SUEZ Energy International Division, has taken out a SGD2.35 billion senior credit facility (comprising a SGD2.2 billion term loan and a SGD150 million working capital facility) (the "**Senior Credit Facility**") and a US$220 million mezzanine bond (the "**Mezzanine Credit Facility**") extended by a syndicate of bank lenders with Mizuho Corporate Bank Ltd and the Development Bank of Japan Inc., respectively, as facility agents pursuant to the terms of two credit agreements dated 12 November 2009 (the "**Senoko Power Credit Agreements**"). The Senior

Credit Facility and the Mezzanine Credit Facility were taken out to refinance the acquisition of Senoko Power and are to be repaid by 20 November 2014 and 20 May 2018, respectively.

The Senoko Power Credit Agreements provide for margins from 2.50 per cent. to 3.25 per cent. (for the Senior Credit Facility) and from 3.75 per cent. to 4.75 per cent. (for the Mezzanine Credit Facility) per annum depending on the period.

The Senoko Power Credit Agreements provide for a list of events of defaults, which are customary for project finance transactions (including, but not limited to, non-payment, cross-default, misrepresentations, insolvency, breach of any project document and material adverse change).

After the occurrence of an event of default which is not remedied, the majority senior lenders (66 2/3 per cent. of participations in advances) may decide to (i) cancel the available facilities; (ii) accelerate the repayment of loans under the facilities; or (iii) exercise all or any part of the security.

The Senoko Power Credit Agreements contain customary operating and negative covenants. The Senoko Power Credit Agreements further contain customary financial maintenance covenants, which include:

- Interest coverage ratio not less than 1.75x to 2.50x (depending on the period); and
- Debt service coverage ratio not less than 1.10x to 1.20x (depending on the period).

As at 30 November 2010, the drawn amount of the Senior Credit Facility was approximately SGD2.175 billion (available amount of SGD25 million) while the Mezzanine Credit Facility had been fully drawn for its total amount of US$220 million.

*The Gheco One Company Ltd ("**Gheco One**") Credit Facility*

Gheco One Company Ltd ("**Gheco One**"), a company within the GDF SUEZ Energy International Division incorporated in Thailand, has available to it a senior project financing facilities comprising a US$460 million US Dollar tranche and a THB9,960 million Thai Baht tranche (the "**Gheco One Senior Facilities**") with a syndicate of commercial bank lenders led by Sumitomo Mitsui Banking Corporation, Standard Chartered Bank and KfW pursuant to the terms of a common terms agreement dated 9 October 2008 (the "**Gheco One Common Terms Agreement**").

The Gheco One Senior Facilities may be used for the purpose of financing all costs and expenses related to the development, engineering, financing, construction, commissioning and insurance of the Gheco-One 660 MW coal-fired power plant and related facilities. The Gheco One Senior Facilities are available until 27 May 2012 with a final repayment date of 30 April 2028.

The Gheco One Common Terms Agreement provides for margins from 1.20 per cent. to 1.50 per cent. per annum (US Dollar base tranche) and from 1.25 per cent. to 1.70 per cent. (Thai Baht base tranche) depending on the period.

The Gheco One Common Terms Agreements provides for a list of events of default which are customary for project finance transactions (including, but not limited to, non-payment by borrower, breach of project documents, insolvency and material adverse change).

After the occurrence of an event of default, the special majority banks (66 2/3 per cent. of participations in advances) may decide to: (i) cancel the available facilities; (ii) accelerate the repayment of loans outstanding under the facilities; (iii) exercise all or any part of the security; or (iv) request that the shareholders inject their base and standby equity commitment.

The Gheco One Common Terms Agreement contains customary operating and negative covenants and further contains customary financial maintenance covenants, which include a debt service coverage ratio for any calculation period of no less than 1.05:1.

As at 30 November 2010, the Gheco One Senior Facilities had been drawn down in the amount of US$453.6 million (US dollar base tranche fully drawn) and THB8,525 million with outstanding facilities available of (i) US$6.4 million of standby USD facility; and (ii) THB1,300 million of Thai Baht base tranche and THB135 million of Thai Baht standby tranche.

Capitalisation and indebtedness

The following tables show the capitalisation of GDF SUEZ Energy International as at 30 June 2010 and the indebtedness of GDF SUEZ Energy International as at 30 September 2010 (based on the unaudited management accounts at that date):

Capitalisation

In millions of euros

Shareholders' equity – group share as at 30 June 2010	
A. Share capital	—
B. Legal reserves	—
C. Other reserves	5,356(1)
D. Treasury stock	—

(1) As described in Note 1.1.1 "Basis of combination" of the GDF SUEZ Energy International historical combined financial information referred to in Section B and Section D of Part 8 (*GDF SUEZ Energy International Financial Information*) and incorporated by reference into this Prospectus, GDF SUEZ Energy International has not in the past formed a separate legal group and therefore it is not possible to show share capital or an analysis of reserves. The net assets of GDF SUEZ Energy International are represented by the cumulative investment of GDF SUEZ in GDF SUEZ Energy International (shown as "paid-in capital and consolidated reserves"). Included in the "Other reserves" line item is "net income – group share" of €395.6 million for the six months ended 30 June 2010.

(2) Since 30 June 2010, save in respect of the first tranche of the Cash Injection and the partial split of SUEZ-TRACTEBEL described below, there has been no material change in the capitalisation of GDF SUEZ Energy International.

Indebtedness

In millions of euros

1. Indebtedness as at 30 September 2010	
Current financial debt	**5,279**
Guaranteed	204(1)
Secured	211(2)
Unguaranteed and unsecured	4,864
Non-current financial debt (excluding current portion of long-term debt)	**8,694**
Guaranteed	596(1)
Secured	4,399(2)
Unguaranteed and unsecured	3,700
2. Net financial indebtedness as at 30 September 2010	
A. Cash	799
B. Cash equivalents	2,489
C. Financial assets at fair value through income	3
D. Liquidity (A+B+C)	**3,291**
E. Current portion of loans and receivables	**110**
F. Current bank debt	98
G. Current portion of non-current debt	866
H. Current other financial debt	4,315(3)
I. Current financial debt (F+G+H)	**5,279**
J. Net current financial debt (I-E-D)	**1,878**
K. Non-current bank debt	5,756
L. Bonds issued	1,112
M. Non-current other financial debt	1,522(4)
N. Non-current portion of financial leases	304
O. Non-current financial debt (K+L+M+N)	**8,694**
P. Net financial debt excluding impact of debt derivatives qualifying as hedges (J+O)	**10,572**
Q. Debt derivatives qualifying as hedges and cash collateral	141
R. Net financial debt including impact of debt derivatives qualifying as hedges (P+Q)	**10,713**

(1) The guaranteed financial debt represents the financial debt incurred by subsidiaries which form part of GDF SUEZ Energy International which is guaranteed by the Wider GDF SUEZ Group.

(2) These amounts represent the financial debt incurred by subsidiaries which form part of GDF SUEZ Energy International which is secured through the pledge of property, plant and equipment, the pledge of ownership interests in companies or the pledge of other assets.

(3) The current other financial debt includes €4.158 million short term borrowings lent by the Wider GDF SUEZ Group.

(4) The non-current other financial debt includes €1.487 million long term borrowings lent by the Wider GDF SUEZ Group.

Indirect indebtedness comprises financial guarantees given by entities within the GDF SUEZ Energy International Division in respect of the financial obligations incurred by project companies consolidated under the equity method within the GDF SUEZ Energy International Division, these guarantees constitute off balance sheet commitments. As at 30 September 2010, indirect indebtedness amounted to €152 million.

Since 30 September 2010, GDF SUEZ and Electrabel have, in accordance with their obligations in the Merger Deed, started to implement the Cash Injection, which is one of the conditions to Closing. The Cash Injection, once completed, will have a significant impact on the capitalisation and indebtedness data as at 30 June 2010 and 30 September 2010 respectively, set out in the tables above. Further details on the impact of the Cash Injection are set out below.

In accordance with the terms of the Merger Deed, the Wider GDF SUEZ Group will inject cash of $3,436 million and €2,700 million (subject to certain adjustments provided for in the Merger Deed including adjustments relating to International Power's 2010 interim dividend and the partial split of SUEZ-TRACTEBEL) into the B Division of GDF SUEZ CC for the purposes of reducing the net debt of the GDF SUEZ Energy International Division. GDF SUEZ CC (a limited liability cooperative company incorporated in Belgium) is a company commonly used for the granting of intragroup loans to GDF SUEZ affiliates. The B Division of GDF SUEZ CC is the division used to grant loans to GDF SUEZ Energy International and forms part of GDF SUEZ Energy International.

The Cash Injection will be partially fulfilled by the partial split of SUEZ TRACTEBEL (to separate out the assets and liabilities of SUEZ TRACTEBEL that are not part of the GDF SUEZ Energy International Division), which is part of the GDF SUEZ Energy International Reorganisation to be completed prior to Closing. The partial split will result in a reduction in the debt of the GDF SUEZ Energy International Division by €1,203 million. The partial split of SUEZ-TRACTEBEL was completed on 16 December 2010 and is effective from 1 July 2010.

The capital injected through the cash injection described above, the partial split of SUEZ-TRACTEBEL described above and the other adjustments provided for in the Merger Deed will result in an expected increase of shareholders' equity in GDF SUEZ Energy International of €5,214 million, based on an exchange rate of US$1.298 to €1.

The first tranche of the Cash Injection was transferred to GDF SUEZ CC on 1 December 2010 in the amount of €3,444 million with the balance to be paid prior to Closing.

The Wider GDF SUEZ Group has also repaid to the GDF SUEZ Energy International Division an intra group deposit of €1,050 million. This has resulted in a decrease of cash equivalents by €1,050 million and a corresponding increase of cash by €1,050 million. This repayment has no impact on the "Liquidity" line item.

The first tranche of the Cash Injection funding, together with cash received from the repayment of the intra group deposit of €1,050 million described above, will be used to repay the intra-group debt owed by the GDF SUEZ Energy International Division to the Wider GDF SUEZ Group.

As a result of these actions (including the partial split of SUEZ-TRACTEBEL), the "Current other financial debt" line item shown as at 30 September 2010 in the "Indebtedness" table above will be reduced by €4,158 million and the "Non-current other financial debt" line item shown as at 30 September 2010 in the "Indebtedness" table above will be reduced by €1,487 million.

Electrabel will also have to make a further cash injection of approximately £1,404 million (€1,621 million at the 30 September 2010 exchange rate) for the purpose of funding the Special Dividend which is intended to be paid to existing International Power shareholders following Closing. This further tranche of the Cash Injection is expected to be transferred in January 2011 in the amount of approximately €1,621 million.

On 16 December 2010, E-CL S.A., a Chilean subsidiary of GDF SUEZ Energy International, issued the 2021 Chilean Notes. The issue of the 2021 Chilean Notes has resulted in an increase in cash of US$393.7 million (less an amount in respect of applicable fees) and an increase in non-current financial debt of US$393.7 million (less an amount in respect of applicable fees). As a result, at the date of this Prospectus, the issue of the 2021 Chilean Notes has had no impact on the net financial debt of GDF SUEZ Energy International. The proceeds from the issue of the 2021 Chilean Notes will principally be used to repay the existing shareholder indebtedness of E-CL S.A.

PART 7: INTERNATIONAL POWER FINANCIAL INFORMATION

Section A: Accountants report on the Restated 2007, 2008 and 2009 consolidated financial information relating to International Power for the financial years ended 31 December 2007, 2008 and 2009.

KPMG Audit Plc
15 Canada Square
London E14 5GL
United Kingdom

The Directors
International Power plc
Senator House
85 Queen Victoria Street
London
EC4V 4DP

21 December 2010

Dear Sirs

International Power plc (the 'Company')

We report on the financial information set out on pages 181 to 291 of the Prospectus dated 21 December 2010 (the "**Prospectus**"). This financial information has been prepared for inclusion in the Prospectus of International Power plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the EU.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 21 December 2010, a true and fair view of the state of affairs of International Power plc as at the dates stated and of its consolidated profits, consolidated cash flows and consolidated comprehensive income and consolidated changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with International Financial Reporting Standards as adopted by the EU as described in note 1 to the financial information.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit Plc

Section B: Restated 2007, 2008 and 2009 consolidated financial information relating to International Power for the financial years ended 31 December 2007, 2008 and 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	*31 December 2009*	*31 December 2008*	*31 December 2007*
			(in £ millions)	
NON-CURRENT ASSETS				
Intangible assets, net	10	193	223	176
Goodwill	9	887	941	733
Property, plant and equipment, net	11	7,603	8,035	6,172
Available-for-sale securities	14	63	47	13
Loans and receivables carried at amortised cost	14	2,060	2,244	1,595
Derivative instruments	14	—	30	47
Investments in associates	12	896	785	645
Other non-current assets	14	115	135	97
Deferred tax assets	7	67	127	144
TOTAL NON-CURRENT ASSETS		**11,884**	**12,567**	**9,622**
CURRENT ASSETS				
Loans and receivables carried at amortised cost	14	57	72	51
Derivative instruments	14	442	477	223
Trade and other receivables	14	864	1,052	768
Inventories		323	382	224
Cash and cash equivalents	14	1,251	1,241	1,234
TOTAL CURRENT ASSETS		**2,937**	**3,224**	**2,500**
TOTAL ASSETS		**14,821**	**15,791**	**12,122**
Shareholders' equity		4,474	3,767	2,613
Minority interests		287	231	165
TOTAL EQUITY	16	**4,761**	**3,998**	**2,778**
NON-CURRENT LIABILITIES				
Provisions	17	166	156	105
Long-term borrowings	14	5,991	7,474	5,549
Derivative instruments	14	321	560	641
Other non-current liabilities		85	100	46
Deferred tax liabilities	7	946	1,003	857
TOTAL NON-CURRENT LIABILITIES		**7,509**	**9,293**	**7,198**
CURRENT LIABILITIES				
Provisions	17	23	69	83
Short-term borrowings	14	857	569	650
Derivative instruments	14	440	552	510
Trade and other payables	14	749	767	565
Other current liabilities		482	543	338
TOTAL CURRENT LIABILITIES		**2,551**	**2,500**	**2,146**
TOTAL EQUITY AND LIABILITIES		**14,821**	**15,791**	**12,122**

CONSOLIDATED INCOME STATEMENT

	Note	31 December 2009	31 December 2008	31 December 2007
			(in £ millions)	
Revenues		3,947	3,862	3,084
Purchases		(1,902)	(2,070)	(1,530)
Personnel costs		(244)	(202)	(179)
Depreciation, amortisation and provisions		(340)	(248)	(263)
Other operating income and expenses, net		(436)	(423)	(321)
CURRENT OPERATING INCOME	4	**1,025**	**919**	**791**
Mark-to-market on commodity contracts other than trading instruments		311	172	(326)
Impairment of property, plant and equipment, intangible assets and financial assets		(95)	(37)	(56)
Changes in scope of consolidation		449	(20)	289
INCOME FROM OPERATING ACTIVITIES	5	**1,690**	**1,034**	**698**
Financial expenses		(622)	(512)	(506)
Financial income		58	480	97
NET FINANCIAL LOSS	6	**(564)**	**(32)**	**(409)**
Income tax expense	7	(170)	(225)	60
Share in net income of associates	12	176	148	117
NET INCOME		**1,132**	**925**	**466**
Net income Group share		981	834	440
Minority interests		151	91	26
Earnings per share (pence)	8	64.5	55.2	29.4
Diluted earnings per share (pence)	8	61.8	34.4	29.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2009	31 December 2008	31 December 2007
		(in £ millions)	
NET INCOME	1,132	925	466
Net investment hedges	58	(155)	(17)
Cash flow hedges (excluding commodity instruments)	75	(198)	(8)
Commodity cash flow hedges	17	71	(85)
Actuarial gains and losses	(13)	(75)	7
Translation adjustments	(139)	766	129
Revaluation deficit on step acquisition	—	—	(12)
Reclassification of foreign exchange on disposal of foreign operation	(94)	—	—
Deferred taxes	10	30	22
Share in other comprehensive income (expense) of associates	6	27	(23)
OTHER COMPREHENSIVE INCOME (EXPENSE)	**(80)**	**466**	**13**
TOTAL COMPREHENSIVE INCOME	**1,052**	**1,391**	**479**
Group share	890	1,299	454
Minority interests	162	92	25

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in capital and consolidated reserves	*Fair value adjustments and other adjustments*	*Treasury stock*	*Cumulative translation adjustment*	*Shareholders' equity*	*Minority interests*	*Total*
				(in £ millions)			
EQUITY AT 31 DECEMBER, 2006	**2,365**	**12**	**(1)**	**(82)**	**2,294**	**279**	**2,573**
Income and expense recognised directly in equity	(9)	(86)	—	109	14	(1)	13
Net income	440	—	—	—	440	26	466
TOTAL RECOGNISED INCOME AND EXPENSE	**431**	**(86)**	**—**	**109**	**454**	**25**	**479**
Employee share issues and share-based payment	19	—	1	—	20	—	20
Distribution (note 16.3)	(160)	—	—	—	(160)	(35)	(195)
Acquisition of minority interests	—	—	—	—	—	(101)	(101)
Other	5	—	—	—	5	(3)	2
EQUITY AT 31 DECEMBER, 2007	**2,660**	**(74)**	**—**	**27**	**2,613**	**165**	**2,778**
Income and expense recognised directly in equity	—	(341)	—	806	465	1	466
Net income	834	—	—	—	834	91	925
TOTAL RECOGNISED INCOME AND EXPENSE	**834**	**(341)**	**—**	**806**	**1,299**	**92**	**1,391**
Employee share issues and share-based payment	28	—	—	—	28	—	28
Distribution (note 16.3)	(166)	—	—	—	(166)	(21)	(187)
Equity investment by minority interests	—	—	—	—	—	49	49
Acquisition of minority interests	—	—	—	—	—	(54)	(54)
Other	(7)	—	—	—	(7)	—	(7)
EQUITY AT 31 DECEMBER, 2008	**3,349**	**(415)**	**—**	**833**	**3,767**	**231**	**3,998**
Income and expense recognised directly in equity	18	188	—	(297)	(91)	11	(80)
Net income	981	—	—	—	981	151	1,132
TOTAL RECOGNISED INCOME AND EXPENSE	**999**	**188**	**—**	**(297)**	**890**	**162**	**1,052**
Employee share issues and share-based payment	10	—	—	—	10	—	10
Distribution (note 16.3)	(195)	—	—	—	(195)	(106)	(301)
Other	(1)	3	—	—	2	—	2
EQUITY AT 31 DECEMBER, 2009	**4,162**	**(224)**	**—**	**536**	**4,474**	**287**	**4,761**

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2009	31 December 2008	31 December 2007
		(in £ millions)	
Net income	**1,132**	**925**	**466**
– Share in net income of associates	(176)	(148)	(117)
+ Dividends received from associates	80	67	93
– Net depreciation, amortisation and provisions	424	285	368
– Changes in scope of consolidation	(449)	20	(289)
– Mark-to-market on commodity contracts other than trading instruments	(311)	(172)	326
– Other items	7	8	7
– Income tax expense	170	225	(60)
– Net financial loss	564	32	409
Cash generated from operations before income tax and working capital requirements	**1,441**	**1,242**	**1,203**
+ Tax paid	(106)	(95)	(107)
Change in working capital requirements	89	(130)	(97)
Cash flow from operating activities	**1,424**	**1,017**	**999**
Acquisitions of property, plant and equipment and intangible assets	(373)	(322)	(204)
Gain of control of subsidiaries net of cash and cash equivalents acquired	(40)	(445)	(651)
Acquisitions of investments in associates and joint ventures	(14)	(45)	(4)
Acquisitions of available-for-sale securities	(22)	(33)	(13)
Disposals of property, plant and equipment and intangible assets	1	—	7
Loss of control of subsidiaries net of cash and cash equivalents sold	492	—	—
Disposals of investments in associates and joint ventures	31	—	249
Disposals of available-for-sale securities	14	1	2
Interest received on non-current financial assets	6	—	—
Change in loans and receivables	44	11	14
Cash flow used in investing activities	**139**	**(833)**	**(600)**
Distribution	(305)	(187)	(195)
Repayment of borrowings and debt	(1,136)	(922)	(502)
Change in financial assets at fair value through income	—	—	44
Interest paid	(492)	(472)	(394)
Interest received on cash and cash equivalents	28	52	66
Increase in borrowings and debt	344	1,232	680
Contribution	3	59	13
Change in ownership interests in controlled entities	—	(101)	39
Cash flow from (used in) financing activities	**(1,558)**	**(339)**	**(249)**
Effect of changes in exchange rates and other	5	162	19
Total cash flow for the period	**10**	**7**	**169**
Cash and cash equivalents at beginning of period	**1,241**	**1,234**	**1,065**
Cash and cash equivalents at end of period	**1,251**	**1,241**	**1,234**

NOTE 1 – Summary of significant accounting policies

1.1 Basis of preparation

International Power plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company, its subsidiaries and the proportionate share of the Company's joint ventures (together referred to as 'the Group'). The application of the equity method of accounting to the Company's interests in associates has also been applied (refer to note 1.4.1).

1.1.1. Basis of consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). These Group financial statements have been prepared in accordance with the accounting policies and presentation applied by GDF SUEZ Energy International Division, and which will be applied by the Enlarged International Power Group in its financial statements for reporting periods which end after Closing.

The consolidated financial statements are presented in sterling.

1.1.2. IFRS standards, amendments and IFRIC interpretations applicable to the annual financial statements

- Amendments to IFRIC 9 and IAS 39 – Reassessment of embedded derivatives;
- Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate;
- Amendment to IFRS 2 – Vesting Conditions and Cancellations;
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions;
- Amendments to IAS 32 and IAS 1 – Puttable Instruments and Obligations Arising on Liquidation;
- Amendment to IAS 39 – Eligible Hedged Items;
- Amendment to IFRS 5 (Improvements to IFRS 2008) – Non-current Assets Held for Sale and Discontinued Operations
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Improvements to IFRS 2008

These amendments and interpretations above have no material impact on the Group's Consolidated Financial Information.

- **Amendment to IFRS 7 – Improving disclosures about financial instruments**

  This amendment requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a new three level fair value hierarchy, by class, depending if the financial instrument is quoted on an active market (level 1), if inputs for fair value measurement are observable (level 2) or if inputs are not based on observable market data (level 3). The amendment also clarifies the requirement for liquidity risk disclosures with respect to derivatives and assets used for liquidity risk management. The fair value measurement information by class of financial instruments and the liquidity risk disclosures are presented in note 15.

- **IAS 1 – Presentation of financial statements (revised 2007)**

  The revised standard introduces in particular the statement of comprehensive income which presents all items of recognised income and expense in the period, either in one single statement, or in two statements: the income statement, displaying components of profit or loss and the statement of comprehensive income, displaying components of other comprehensive income. The Group has elected to present two statements.

1.1.3. IFRS standards and IFRIC interpretations that the Group has elected not to early adopt in these financial statements

- IFRS 9 – Financial instruments: classification and measurement;
- IFRS 3 revised – Business combinations (refer to note 1.1.5);
- Amendment to IAS 32 – Classification on rights issues;
- IAS 24 revised – Related party disclosures;
- IAS 27 revised – Consolidated and separate financial statements;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IFRIC 14 – Prepayments of a minimum funding requirement.

The impact resulting from the application of these standards and interpretations is currently being assessed.

1.1.4. Group IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the Consolidated Financial Information are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within consolidated equity at 1 January 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to 1 January 2004 in accordance with IFRS 3.

1.1.5. IFRS standards, amendments and IFRIC interpretations applicable to periods commencing after 1 January 2010

Revised IFRS 3 – Business Combinations, which applies to acquisitions of controlling interests (within the meaning of the revised IAS 27) that take place after 1 January 2010 and revised IAS 27 – Consolidated and Separate Financial Statements.

1.2 Measurement basis

The consolidated financial statements have been prepared on the going concern basis. They use the historical cost convention, modified for certain items carried at fair value or measured in accordance with the applicable IFRS, as stated in these accounting policies.

1.3 Use of judgements and estimates

The Group's accounting policies are set out in note 1 to the consolidated financial statements. Management is required to exercise significant judgement in the application of these policies. Areas which management believe require the most critical accounting judgements are as follows (apart from those policies involving estimation which are outlined in 1.3.1 which follows).

1.3.1 Estimates

1.3.1.1. Useful economic lives of property, plant and equipment

Depreciation of plant and other assets is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. The Directors are required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. The Group's depreciation lives are disclosed in the accounting polices (refer to note 1.4.5.2).

1.3.1.2. Impairment analysis

Management regularly considers whether there are any indications of impairment to the carrying amounts of the Group's long-life assets, including goodwill and other intangible assets and the Group's power plant and other property, plant and equipment. As a minimum, the recoverability of goodwill is tested on an annual basis. This includes a review of market conditions in both the short-term and long-term. Impairment reviews require a comparison of the current carrying amount of the asset with the present value of the expected future cash flows of the comparable cash generating unit and its fair value less costs to sell. The reviews are generally based on risk adjusted discounted cash flow projections that require estimates of discount rates and future market prices over the remaining lives of the assets (refer to note 1.4.7). At the end of the reporting period, consideration is also given as to whether there is any indication that an impairment loss recognised in prior periods has reversed. The results of the testing in relation to goodwill are presented in note 9.3.

The Australian federal government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS). The introduction of the CPRS has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the Group's property, plant and equipment for the purpose of value-in-use calculations in impairment testing. The Group has not incorporated the impact of CPRS into its assumptions at 31 December 2009 as insufficient market information exists. Uncertainties pertain to: the level of emissions the Group is expected to emit in Australia; abatement opportunities; the price of emission permits; the number of permits required to be purchased; the ability to pass on the cost of the permits; and the level of government assistance. Due to the preceding factors listed, it is considered impracticable to assess CPRS implications on the business at this time.

As described in note 5.2, the Levanto portfolio of onshore wind farms has been impaired by £70 million.

1.3.1.3. Fair values of energy derivatives

The Group has presented its financial statements in accordance with the presentation requirements of IAS 32 (Financial Instruments: Presentation), the disclosure requirements of IFRS 7 (Financial Instruments: Disclosures) and the accounting requirements of IAS 39 (Financial Instruments: Recognition and Measurement). In accordance with IAS 39, the Group records its derivative contracts in the statement of financial position at fair value (unless they qualify for own use treatment). Changes in the value of its derivative contracts in each period are recorded in the income statement unless the required hedge accounting criteria are met which allows the movement in fair value to be recorded within other comprehensive income and accumulated within equity. The Group estimates the fair value of its energy derivative contracts by reference to forward price curves. A forward price curve represents the Group's view as to the prices at which customers would currently contract for delivery or settlement of commodities, such as power or gas, at future dates. Generally the forward price curve is derived from observable prices in an active market over the near-term.

Assumptions which underpin the price curve beyond the period where there are observable market prices relate to the prices of commodities such as oil and carbon, the cost of constructing and financing the building of new power plants, and the prices at which it would be economic for companies to enter the market and build additional capacity ('new entrant pricing'). Uncertainties relating to the terms of the CPRS in Australia also have an impact on the determination of the shape of forward price curves for electricity in this region. The assumptions used during the application of valuation techniques will directly impact the shape of forward price curves. The forward price curves are only estimates of future prices and thus possess inherent uncertainty and subjectivity.

As disclosed in note 15.9, £232 million of energy derivative contract cash flows are due to be settled in periods after more than two years after the end of the reporting period. This principally comprises a Level 3 contract in Australia. Refer to note 15.6.1 for the results of a sensitivity analysis pertaining to a key assumption used during the valuation.

Given that approximately half of energy derivative cash flows are due to settle within two years of the end of the reporting period, a change in discount rates has a small impact on fair values reported.

1.3.1.4. Fair values on acquisition

The Group is required to bring assets and liabilities in to the consolidated statement of financial position on the date of acquisition at their fair value. Power plant and equipment usually have long operating lives, and are often bought with associated long-term contracts such as PPAs. Determination of the fair values of these long-life assets and contracts can require a significant amount of judgement. Fair values on the Group's major acquisitions are disclosed in note 2. In determining the fair values of assets, liabilities and contingent liabilities as part of the acquisition of the AIM PowerGen Corporation wind portfolio the Group has used the services of a professional firm of valuers.

1.3.1.5. Recoverability of trade and other receivables

Management assesses the recoverability of its trade and other receivables on a periodic basis. Payment delays by the offtaker (the Water and Power Development Authority) in Pakistan have occurred at the Group's joint ventures and associates during 2009. The Group has not made a provision against overdue amounts at 31 December 2009 as management consider that all amounts will be fully recovered from the offtaker.

1.3.1.6. Provisions

Within the Group there are a number of long-term provisions. The carrying amount of these provisions is estimated based on assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. For example, the pensions liability is based on assumptions relating to discount rates used, future changes in salaries, expected mortality and future increases in pension payments. The Group reviews these assumptions regularly, and for pensions annually. However, a change in estimates could have a material impact on the carrying amount of these provisions. In relation to pensions liabilities, the result of a sensitivity analysis relating to actuarial assumptions is included in note 18.

1.3.2 Judgements

1.3.2.1. Cash flow hedge accounting

The Group enters into various types of hedging or forward contracts for the buying and selling of commodities: principally sales of electricity and the purchase of fuel for its own power plants. In merchant markets these contracts typically fall within the definition of derivative financial instruments and accordingly have to be marked to market. Accounting for these contracts as cash flow hedges allows, to the extent the hedges are effective, the change in values of the derivatives to be recognised in other comprehensive income and accumulated in equity. In order to achieve cash flow hedge accounting it is necessary for the Group to determine, on an on-going basis, whether a forecast transaction is both highly probable and whether the hedge is effective. This requires both subjective and objective measures of determination. On 1 January 2008 the Group revoked the designation of its cash flow hedges relating to sale of power and purchase of fuel. For these cash flow hedges, the cumulative gain or loss on the hedging instrument from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs (or is no longer expected to occur). Fair value gains and losses, after the date of de-designation as cash flow hedges, are recorded in the income statement.

1.3.2.2. Revenue recognition

When power plants sell their output under long-term PPAs it is usual for the power plant owning company to receive payment (known as a 'capacity payment') for the provision of electrical capacity whether or not the offtaker requests electrical output. In these situations, where there is a long-term contract to sell electrical output and electrical capacity, it is necessary for the Group to evaluate the contractual arrangements and determine whether they constitute a service concession, a form of lease or a service contract.

For those arrangements determined to be or to contain leases, further judgements are required to determine whether the arrangement is a finance or operating lease. This assessment requires an evaluation of where the substantial risks and rewards of ownership reside. For service concession arrangements which give rise to the recognition of financial assets and finance leases it is necessary to calculate the proportion of total capacity payments which should be treated as finance income, capital repayment and as a fee for service provision. For operating leases it is necessary to determine the allocation of total capacity payments between minimum lease payments and fees for service provision.

Where PPAs extend over more than one accounting period, service income is recognised in each accounting period at the fair value of the Group's performance under the contract in each period. This treatment requires an assessment of fair value which can be subjective.

1.3.2.3. Evaluation of levels of control and influence

In order to consolidate a subsidiary the parent must control it. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Determining whether control exists, and whether this is accompanied by the objective of obtaining benefits, is a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment. The assessment process is cognisant of the requirement to account for transactions and events in accordance with their substance and economic reality, and not merely their legal form.

In accordance with the requirements of SIC Interpretation 12 (Consolidation – Special Purpose Entities), a special purpose entity (SPE) is consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity. In the context of an SPE, control may exist even in cases where an entity owns little or none of the SPE's equity. The application of the control concept requires, in each case, judgement in the context of all relevant factors.

SIC 12 provides examples of circumstances that may indicate a relationship in which an entity controls an SPE and consequently should consolidate the SPE. These include: the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE's operation; the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE, in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Breeze Two Energy GmbH & Co. KG (Breeze II) owns a large proportion of the Levanto wind farm portfolio, primarily the wind farms in Germany. Breeze II is managed by the General Partner and the appointment and removal, and the supervision of the activities of the General Partner's Managing Director, are determined by an Advisory Board. The Company treats Breeze II as a subsidiary in the consolidated financial statements and consolidate its results, although Breeze II is owned by a Trust.

The Company's assessment is that Breeze II is a subsidiary, based on circumstances outlined in SIC 12 that indicate a relationship in which a company controls an SPE and consequently should consolidate the SPE. These circumstances include the following: the Company currently owns all of the subordinated debt of the business (in the form of secured C bonds), the Company possesses the rights to obtain the remaining subordinated cash flows and the equity of the business following the repayment of the more senior secured A and B bonds, the Company controls the Advisory Board which has powers to appoint the Managing Director of the General Partner, and the Company has a contract directly with Breeze II to advise the Managing Director on its financial and operating policies and to undertake all day-to-day technical, administration and financial activities of the business.

The determination of the level of influence the Company has over a business is often a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment of entities in the consolidated financial statements. At associates and joint ventures the Company achieves influence or joint control through Board representation and by obtaining rights of veto over significant actions. The Company generally treats investments where it holds less than 20% of the equity as investments available-for-sale (refer to note 1.4.10.1).

Where the Company owns between 20% and 50% of the equity of an entity and is in a position to exercise significant influence over the entity's operating and financial policies, the Company treats the entity as an associate. Equally, where the Company holds a substantial interest (but less than 20%) in an entity and has the power to exert significant influence over its operations, it also treats that entity as an associate. This treatment is applied to the Company's interest in The Hub Power Company in Pakistan of which it owns 17%, but where it also has the right, which the Company exercises, to appoint a significant proportion of Directors on the Board (refer to note 12).

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Where the Company recognises its interest in a joint venture as a jointly controlled entity it uses the proportionate consolidation method of accounting in its consolidated financial statements. Sometimes the Company may apply the proportionate consolidation method to a joint venture where it does not possess an equal shareholding to the other venturers, because the venturers are bound by a contractual arrangement and the contractual arrangement establishes joint control. This treatment is applied to the Company's interest in Uch Power (Pvt) Limited of which, at 31 December 2009, it owned 71%, as another partner has the right of veto over certain significant decisions (refer to note 13).

1.3.2.4. Exceptional items

Management consider that items of income or expense which are material by virtue of their unusual, irregular or non-recurring nature, and amount, should be disclosed separately if the financial statements are to fairly present the financial position and financial performance of the entity.

Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that would give rise to exceptional items for separate disclosure would include:

- impairments and impairment reversals;
- discontinued operations and restructuring costs;

- disposals of interests in businesses;
- mark-to-market on commodity contracts other than trading instruments.

Exceptional items are also set out in note 5.

1.3.2.5. Taxation

The tax expense recorded in the income statement is dependent on the profit for the year and the tax rates in effect at the end of the reporting period, unless new tax rates have been enacted or substantively enacted.

The level of current and deferred tax recognised is also dependent on subjective judgements as to the outcome of decisions to be made by the tax authorities in the various tax jurisdictions around the world in which International Power operates. It is necessary to consider which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable.

1.4. Significant accounting policies

1.4.1. Scope and methods of consolidation

The consolidation methods used by the Group consist of the following:

- subsidiaries (companies over which the Group exercises exclusive control) are fully consolidated;
- companies over which the Group exercises joint control are consolidated by the proportionate method, based on the Group's percentage interest;
- the equity method is used for all associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognises its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates".

The Group analyses what type of control exists on a case-by-case basis, taking into account the situations illustrated in IAS 27, 28 and 31.

All intra-group balances and transactions are eliminated on consolidation.

A list of the main fully and proportionately consolidated companies, together with investments accounted for by the equity method, is presented in the notes to the Consolidated Financial Information.

1.4.2. Foreign currency translation methods

1.4.2.1. Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates, which in most cases corresponds to local currency. However, certain entities may have a functional currency different from local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

1.4.2.2. Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each statement of financial position date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the consolidated statement of income for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical cost applicable at the date of the transaction.

1.4.2.3. Translation of the financial statements of subsidiaries with a functional currency other than the sterling (the presentation currency)

The statements of financial position, of these subsidiaries are translated into sterling at the official year-end exchange rates. Income statement and statement of cash flows items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of these subsidiaries are recorded under "Cumulative translation differences" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

Translation differences previously recorded as other comprehensive income are taken to the consolidated income statement on the disposal of a foreign entity.

1.4.3. Business combinations

For business combinations carried out since 1 January 2004, the Group applies the purchase method as defined in IFRS 3, which consists in recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

The Group may recognise any adjustments to provisional values as a result of completing the initial accounting of a business combination within 12 months of the acquisition date.

1.4.4. Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

1.4.4.1. Goodwill

Recognition of goodwill

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised at the acquisition date (except if the business combination is achieved in stages).

For a business combination achieved in stages – i.e., where the Group acquires a subsidiary through successive share purchases – the amount of goodwill is determined for each exchange transaction separately based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction. Any difference arising from the application of these fair values to the Group's existing interest and to minority interests is a revaluation and is therefore recognised in equity.

In the absence of specific IFRS guidance addressing acquisitions of minority interests, the Group continues not to recognise any additional fair value adjustments to identifiable assets and liabilities when it acquires additional shares in a subsidiary that is already fully consolidated. In such a case, the additional goodwill corresponds to the excess of the acquisition price of the additional shares purchased over the Group's additional interest in the net assets of the company concerned.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

Goodwill relating to associate companies is recorded under "Investments in associates".

Measurement of goodwill

Goodwill is not amortised but tested for impairment each year, or more frequently where an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs).

The methods used to carry out these impairment tests are described in note 9.

Impairment losses in relation to goodwill cannot be reversed and are shown under "Impairment" in the consolidated income statement.

Impairment losses on goodwill relating to associate companies are reported under "Share in net income of associates".

1.4.4.2. Other intangible assets

Development costs

Research costs are expensed as incurred.

Development costs are capitalised when the asset recognition criteria set out in IAS 38 are met. Capitalised development costs are amortised over the useful life of the intangible asset recognised. In view of the Group's activities, capitalised development costs are not material.

Intangible assets

'Contracts and rights' is the term the Group uses to describe intangible assets, acquired in business combinations separately from goodwill, arising from identifiable contractual or other legal rights where their fair values can be measured reliably. These include beneficial ('in the money') commodity contracts, which qualify as own use contracts in accordance with the requirements of IAS 39. These contracts and rights are classified as intangible assets and carried at cost less accumulated amortisation and impairment losses where cost represents fair value at the acquisition date. The intangible asset is then amortised on a systematic basis in accordance with the pattern in which the future economic benefit of the contract is expected to be consumed by the entity. Intangible assets with indefinite useful lives are not amortised. An intangible asset with an indefinite useful life is tested for impairment by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired.

1.4.5. Property, plant and equipment

1.4.5.1. Initial recognition and subsequent measurement

Items of property, plant and equipment are recognised at historical cost less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of these items is not revalued as the Group has elected not to apply the allowed alternative method, which consists of regularly revaluing one or more categories of property, plant and equipment.

Investment subsidies are deducted from the gross value of the assets concerned.

In accordance with IAS 16, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has a present legal or constructive obligation to dismantle the item or restore the site. A corresponding provision for this obligation is recorded for the amount of the asset component.

Property, plant and equipment acquired under finance leases is carried in the consolidated statement of financial position at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognised under borrowings. These assets are depreciated using the same methods and useful lives as set out below.

The Group applies IAS 23 as amended, whereby borrowing costs that are directly attributable to the construction of the qualifying asset are capitalised as part of the cost of that asset.

1.4.5.2. Depreciation

In accordance with the components approach, each significant component of an item of property, plant and equipment with a different useful life from that of the main asset to which it relates is depreciated separately over its own useful life.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Main depreciation periods (years)	*Minimum*	*Maximum*
Civil works	25	80
Power stations and – wind farms	20	60
Fixtures, fittings, tools and – equipment	3	10
Computer equipment and software	3	5
Combined cycle gas turbine (CCGT) hot gas path parts, on average	2	4
Leasehold improvements	Life of lease	

The range of useful lives is due to the diversity of the assets in each category.

1.4.6. Service Concession Arrangements

SIC 29, Disclosure – Service Concession Arrangements was published in May 2001 and prescribes the information that should be disclosed in the notes to the financial statements of a concession grantor and a concession operator.

Treatment of concessions under IFRIC 12

On 30 November 2006, the IFRIC published IFRIC 12 – Service Concession Arrangements, which deals with the accounting treatment to be applied by the concession operator in respect of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, together with specific capital renewal and replacement obligations;
- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor;
- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period.

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. This requirement is met when:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls the infrastructure, i.e., retains the right to take back the infrastructure at the end of the concession.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the party responsible for payment. Accordingly:

- the "intangible asset" model is applied when the concession operator has the right to charge for use of the public sector asset, and when users have primary responsibility to pay the operator for the services;
- and the "financial asset" model is applied when the concession operator has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of a guarantee provided by the grantor for amounts receivable from users of the public sector asset (for example, via a contractually guaranteed internal rate of return), or in other words, when the grantor is primarily responsible for payment.

"Primary responsibility" signifies that while the identity of the payer of the services is not an essential criterion, the person ultimately responsible for payment should be identified.

In cases where the local authority pays the Group but merely acts as an intermediary fee collector and does not guarantee the amounts receivable ("pass through arrangement"), the intangible asset model should be used to account for the concession since the users are, in substance, primarily responsible for payment.

However, where the users pay the Group, but the local authority guarantees the amounts that will be paid over the term of the contract (e.g., via a guaranteed internal rate of return), the financial asset model should be used to account for the concession infrastructure, since the local authority is, in substance, primarily responsible for payment.

Pursuant to these principles:

- Infrastructure to which the operator is given access by the grantor of the concession at no consideration is not recognised in the consolidated statement of financial position.
- Start-up capital expenditure is recognised as follows:
    - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the cost of the intangible asset and should be recognised when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognised from the outset, with a corresponding adjustment to concession liabilities;

- under the financial asset model, the amount receivable from the grantor is recognised at the time the infrastructure is built, at the fair value of the construction and other work carried out;
- when the grantor has a payment obligation for only part of the investment, the cost is recognised in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model").

Renewal costs consist of obligations under concession arrangements with potentially different terms and conditions (obligation to restore the site, renewal plan, tracking account, etc.).

Renewal costs are recognised as either (i) intangible or financial assets depending on the applicable model when the costs are expected to generate future economic benefits (i.e., they bring about an improvement); or (ii) expenses, where no such benefits are expected to be generated (i.e., the infrastructure is restored to its original condition).

Costs incurred to restore the asset to its original condition are recognised as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realisation.

The costs are calculated on a case-by-case basis based on the obligations associated with each arrangement.

1.4.7. Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortised are tested for impairment annually.

Impairment indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when economic performance is worse than expected.

The main impairment indicators used by the Group are described below.

- External sources of information:
  - significant changes in the economic, technological, political or market environment in which the entity operates or to which an asset is dedicated;
  - fall in demand;
  - changes in energy prices.
- Internal sources of information:
  - evidence of obsolescence or physical damage not budgeted for in the depreciation/amortisation schedule;
  - worse-than-expected performance.

Impairment

Items of property, plant and equipment and intangible assets are tested for impairment at the level of the individual asset or cash-generating unit (CGU) as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount – and possibly the useful life – of the assets concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are grouped, where appropriate, into cash-generating units (CGUs) and the carrying amount of each unit is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of an asset corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows. Discount rates are based on the specific characteristics of the operating entities concerned and are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to estimated market value less costs of disposal. Where negotiations are ongoing, this value is determined based on the best estimate of their outcome as of the statement of financial position date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

1.4.8. Leases

The Group holds assets for its various activities under lease contracts.

These leases are analysed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not comply with the definition of a finance lease are classified as operating leases.

The following main factors are considered by the Group to assess if a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lessor transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term is for the major part of the economic life of the asset; (iv) the asset is of a highly specialised nature; and (v) the present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

1.4.8.1. Accounting for finance leases

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognised under borrowings. At inception of the lease, finance leases are recorded at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

1.4.8.2 Accounting for operating leases

Payments made under operating leases are recognised as an expense on a straight-line basis over the lease term.

1.4.8.3. Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a finance receivable should be recognised to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

The Group is concerned by this interpretation mainly with respect to some energy purchase and sale contracts, particularly where the contract conveys to the purchaser of the energy an exclusive right to use a production asset.

1.4.9. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

An impairment loss is recognised when the net realisable value of inventories is lower than their weighted average cost.

1.4.10. Financial instruments

Financial instruments are recognised and measured in accordance with IAS 32 and IAS 39.

1.4.10.1. Financial assets

Financial assets comprise available-for-sale securities, loans and receivables carried at amortised cost including trade and other receivables, and financial assets measured at fair value through income, including derivative financial instruments.

Available-for-sale securities

''Available-for-sale securities'' include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below).

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each statement of financial position date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the statement of financial position date. For unlisted companies, fair value is measured based on standard valuation techniques (reference to similar recent transactions, discounted future cash flows, etc.).

Changes in fair value are recorded directly in other comprehensive income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, the loss is recognised in income under ''Impairment''. Only impairment losses recognised on debt instruments (debt securities/ bonds) may be reversed through income.

Loans and receivables at amortised cost

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each statement of financial position date, they are measured at amortised cost using the effective interest rate method.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

Financial assets at fair value through income

These financial assets meet the qualification or designation criteria set out in IAS 39.

This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents (see note 1.4.11). The financial assets are measured at fair value at the statement of financial position date and changes in fair value are recorded in the consolidated income statement.

1.4.10.2. Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities primarily comprise:

- commodity trading derivatives;
- financial liabilities held primarily for trading purposes;
- for interest rate swaps and other financial derivative contracts, those with a settlement or maturity date within 12 months of the end of the reporting period;

- financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item.

Measurement of borrowings and other financial liabilities

Borrowings and other financial liabilities are measured at amortised cost using the effective interest rate method.

On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortised cost method.

As regards structured debt instruments that do not have an equity component, the Group may be required to separate an "embedded" derivative instrument from its host contract. The conditions under which these instruments must be separated are detailed below. When an embedded derivative is separated from its host contract, the initial carrying amount of the structured instrument is broken down into an embedded derivative component, corresponding to the fair value of the embedded derivative, and a financial liability component, corresponding to the difference between the amount of the issue and the fair value of the embedded derivative. The separation of components upon initial recognition does not give rise to any gains or losses.

The debt is subsequently recorded at amortised cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value taken to income.

1.4.10.3. Derivatives and hedge accounting

The Group uses financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates and commodity prices, mainly for gas and electricity. Use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

Definition and scope of derivative financial instruments

Derivative financial instruments are contracts: (i) whose value changes in response to the change in one or more observable variables; (ii) that do not require any material initial net investment; and (iii) that are settled at a future date.

Derivative instruments therefore include swaps, options, futures and swaptions, as well as forward commitments to purchase or sell listed and unlisted securities, and firm commitments or options to purchase or sell non-financial assets that involve physical delivery of the underlying.

For purchases and sales of electricity and natural gas, the Group systematically analyses whether the contract was entered into in the "normal" course of operations and therefore falls outside the scope of IAS 39. This analysis consists firstly of demonstrating that the contract is entered into and held for the purpose of making or taking physical delivery of the commodity in accordance with the Group's expected purchase, sale or usage requirements.

The second step is to demonstrate that:

- the Group has no practice of settling similar contracts on a net basis. In particular, forward purchases or sales with physical delivery of the underlying that are carried out with the sole purpose of balancing Group energy volumes are not considered by the Group as contracts that are settled net;
- the contract is not negotiated with the aim of realising financial arbitrage;
- the contract is not equivalent to a written option. In particular, in the case of electricity sales allowing the buyer a certain degree of flexibility concerning the volumes delivered, the Group distinguishes between contracts that are equivalent to capacity sales – considered as transactions falling within the scope of ordinary operations – and those that are equivalent to written financial options, which are accounted for as derivative financial instruments.

Only contracts that meet all of the above conditions are considered as falling outside the scope of IAS 39. Adequate specific documentation is compiled to support this analysis.

Embedded derivatives

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

Contracts that may contain embedded derivatives are contracts with clauses or options affecting the contract price, volume or maturity. This is the case primarily with contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the host contract is not a financial instrument measured at fair value through profit or loss;
- if separated from the host contract, the embedded derivative fulfills the criteria for classification as a derivative instrument (existence of an underlying, no material initial net investment, settlement at a future date); and
- its characteristics are not closely related to those of the host contract. The analysis of whether or not the characteristics of the derivative are "closely related" to the host contract is made when the contract is signed.

Embedded derivatives that are separated from the host contract are recognised in the consolidated statement of financial position at fair value, with changes in fair value recognised in income (except when the embedded derivative is part of a designated hedging relationship).

Convertible Bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and either an equity component or an embedded derivative component.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component represents the value of either an equity component or an embedded derivative component attributable to the embedded option to convert the bonds into equity of the Group.

IAS 32 states that a derivative contract that will be settled by the entity receiving or delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. It also states that a contract that will be settled by the entity delivering or receiving a fixed number of its own equity instruments in exchange for a variable amount of cash or another financial asset is a financial asset or financial liability. For the purposes of the consolidated financial statements, when making the assessment of whether a convertible bond, when exercised, gives rise to the exchange of a fixed or variable amount of cash, or other financial asset, the functional currency of the parent company relative to the currency denomination of the bonds is considered in addition to other features within the bond.

For convertible bonds issued by the Group where there is a difference between the currency of the bond and the functional currency of the parent company, the embedded option to convert the bonds is recorded as a derivative liability because it is not a contract to exchange a fixed number of shares for a fixed amount of bonds. The embedded derivative liability component is separately identified and measured at fair value through profit or loss.

For convertible bonds issued by the Group where the currency of the bond and the functional currency of the parent company are the same, i.e. where on conversion of the bonds a fixed number of shares is exchanged for a fixed amount of bonds, the value of the embedded option to convert the bonds is recorded within equity on initial recognition. Issue costs are apportioned between the liability and embedded option components of the convertible bonds (recorded as equity or as a derivative liability) based on their relative carrying amounts at the date of issue.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. This interest expense, recognised in the income statement, is calculated using the effective interest method, i.e. the difference between the interest expense on the liability component and the interest paid is added to the carrying amount of the convertible bond.

Hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognised in the consolidated statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset or liability, such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognised firm commitment denominated in a foreign currency.

The gain or loss from remeasuring the hedging instrument at fair value is recognised in income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognised in income even if the hedged item is in a category in respect of which changes in fair value are recognised through other comprehensive income. These two adjustments are presented net in the consolidated income statement, with the net effect corresponding to the ineffective portion of the hedge.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group's income. The hedged cash flows may be attributable to a particular risk associated with a recognised financial or non-financial asset or a highly probable forecast transaction.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, net of tax, while the ineffective portion is recognised in the consolidated income statement. The gains or losses accumulated in other comprehensive income are reclassified to the consolidated income statement, under the same caption as the loss or gain on the hedged item – i.e., current operating income for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs. However, if a forecast transaction is no longer probable, the cumulative gain or loss on the hedging instrument is recognised in income.

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognised directly in other comprehensive income, net of tax, while the ineffective portion is recognised in the consolidated income statement. The gains or losses accumulated in other comprehensive income are transferred to the consolidated income statement when the investment is sold.

Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparties are considered as being eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item.

1.4.10.4. Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been – or are no longer – documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognised directly in income, under "Mark-to-market" or "Mark-to-market on commodity contracts other than trading instruments" in current operating income for derivative instruments with non-financial assets as the underlying, and in financial income or expenses for currency, interest rate and equity derivatives.

Derivative instruments used by the Group in connection with proprietary energy trading activities and energy trading on behalf of customers and other derivatives expiring in less than 12 months are recognised in the consolidated statement of financial position in current assets and liabilities.

Fair value measurement

The fair value of instruments listed on an active market is determined by reference to the market price. In that case, these instruments are presented in level 1 of the fair value hierarchy.

The fair value of unlisted financial instruments for which there is no active market and for which observable market data exists is determined based on valuation techniques such as option pricing models or the discounted cash flow method.

Models used to evaluate these instruments take into account assumptions based on market inputs:

- the fair value of interest rate swaps is calculated based on the present value of future cash flows;
- commodity derivatives contracts are valued by reference to listed market prices based on the present value of future cash flows (commodity swaps or commodity forwards) or option pricing models (options), which may factor in market price volatility. Contracts with maturities exceeding the depth of transactions for which prices are observable, or which are particularly complex, may be valued based on internal assumptions;

These instruments are presented in level 2 of the fair value hierarchy except when the valuation is based mainly on data that are not observable; in that case they are presented in level 3 of the fair value hierarchy. Most often, this is the case for derivatives which maturity exceeds the time of observable market data of the underlying or when some underlying data are not observable.

1.4.11. Cash and cash equivalents

These items include cash equivalents as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under "*Short-term borrowings*".

1.4.12. Share-based payment

Under IFRS 2, share-based payments made in consideration for services provided are recognised as personnel costs. These services are measured at the fair value of the instruments awarded.

These share based arrangements have been concluded by International Power plc. However as the Group receive services from employees who are beneficiaries of these arrangements, an employee benefit expense is recognised in the consolidated financial statements in accordance with IFRS 2 requirement.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and where applicable, adjusted for the effect of non-market-based vesting conditions including service conditions.

For the Group's Executive Share Option Plans the fair values are measured using the Black-Scholes pricing model. The expected lives used in these models have been adjusted, based on management's best estimate, for the effects of non-transferability, any exercise restrictions and behavioural considerations.

For conditional awards, made under the 2002 Performance Share Plan, without a market-related performance condition, the fair values have been calculated as the face value of the award, discounted for the non-entitlement to dividends during the vesting period.

Where conditional awards, made under the 2002 Performance Share Plan, contain a market-related performance condition, the fair values are measured using a Monte Carlo simulation method.

1.4.13. Provisions

1.4.13.1. Provisions for post-employment benefit obligations and other long-term employee benefits

Depending on the laws and practices in force in the countries where the Group operates, Group companies have obligations in terms of pensions, early retirement payments, retirement bonuses and other benefit plans. Such obligations generally apply to all of the employees within the companies concerned.

The Group's obligations in relation to pensions and other employee benefits are recognised and measured in compliance with IAS 19. Accordingly:

- the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis using the projected unit credit method. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

Provisions are recorded when commitments under these plans less the unrecognised past service cost exceed the fair value of plan assets. Where the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other current assets" or "Other non-current assets".

Actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments are recognised directly in other comprehensive income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, are recognised immediately in the consolidated income statement.

The interest cost in respect of pensions and other employee benefit obligations and the expected return on related plan assets are presented as a financial expense.

1.4.13.2. Other provisions

The Group records a provision where it has a present obligation (legal or constructive), the settlement of which is expected to result in an outflow of resources embodying economic benefits with no corresponding consideration in return.

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The discount rate (or rates) used reflect current market assessments of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the reversal of discounting adjustments to long-term provisions are recorded under other financial income and expenses.

A provision is recognised when the Group has a present legal or constructive obligation to dismantle facilities or to restore a site. An asset is recorded simultaneously by including this dismantling obligation in the carrying amount of the facilities concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the dismantling date or the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The impacts of unwinding the discount are recognised in expenses for the period.

1.4.14. Revenues

Group revenues (as defined by IAS 18), are mainly generated from the following:

- energy sales;
- lease contracts.

Revenues on sales of goods are recognised on delivery, i.e., when the significant risks and rewards of ownership are transferred to the buyer. For services and construction contracts, revenues are recognised using the percentage-of-completion method. In both cases, revenues are recognised solely when the transaction price is fixed or can be reliably determined and the recovery of the amounts due is probable.

Revenues are measured at the fair value of the consideration received or receivable. Where deferred payment has a material impact on the measurement of the fair value of this consideration, this is taken into account by discounting future receipts.

1.4.14.1. Energy sales

These revenues primarily include sales of electricity, operating and maintenance fees.

In accordance with IAS 1 and IAS 18, both proprietary energy trading transactions and energy trading carried out on behalf of customers are recorded within "Revenues" after netting off sales and purchases. Under the same principle, when sale contracts are offset by similar purchase contracts, or if the sale contracts are entered into as part of an offset strategy, the contribution of operational energy trading activities (wholesale or arbitrage) relating to assets, aimed at optimising production assets and fuel purchase/energy sale portfolios, is recognised in revenues based on the net amount.

1.4.14.2. Lease contracts

Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.4.15. Current operating income

Current operating income is a sub-total which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, such elements relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts other than trading instruments, which are defined as follows:

- impairment includes impairment losses on non-current assets;
- disposals of assets include capital gains and losses on disposals of non-current assets, consolidated companies and available-for-sale securities;
- restructuring costs concern costs corresponding to a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;
- mark-to-market on commodity contracts other than trading instruments corresponds to changes in the fair value (mark-to-market) of financial instruments relating to commodities, gas and electricity, which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions in the energy sector. Since changes in the fair value of these instruments – which must be recognised through income in IAS 39 – can be material and difficult to predict, they are presented on a separate line of the consolidated income statement.

1.4.16. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method starting from net income.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs.

As impairment losses of current assets are considered to be definitive losses, changes in current assets are presented net of impairment.

Cash flows relating to the payment of taxes are presented on a separate line of the consolidated statement of cash flows.

1.4.17. Income tax expense

The Group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

In accordance with IAS 12, deferred taxes are recognised according to the liability method on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the statement of financial position date. However, under the provisions of IAS 12, no deferred taxes are recognised for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of companies included within the consolidated tax group, and are presented in assets or liabilities for their net amount per tax entity.

Deferred taxes are reviewed at each statement of financial position date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

NOTE 2 – Main changes in Group structure

2.1 Significant events in 2009

2.1.1. Acquisition of AIM PowerGen Corporation

On 21 October 2009 International Power Canada Inc, a wholly owned subsidiary of International Power plc, completed the acquisition of the whole of the voting share capital of AIM PowerGen Corporation from Renewable Energy Generation Limited. On completion, International Power Canada Inc owned 40MW of wind farms in operation, 40MW of wind farms under construction, and a development pipeline.

The purchase price, including contingent consideration and transaction costs, was C$126 million (£73 million). The results of the business have been consolidated as a subsidiary with effect from the date of completion using the acquisition method.

The details of the transaction, results and provisional fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount	*Fair value adjustments*	*Fair value to the Group*
		In millions of pounds	
Intangible assets, net	24	(1)	23
Service concession receivables	106	(2)	104
Trade and other receivables	2	—	2
Cash and cash equivalents	36	—	36
Trade and other payables	(2)	—	(2)
Borrowings	(89)	4	(85)
Derivative financial liabilities	(3)	—	(3)
Deferred tax liabilities	(4)	2	(2)
Net assets acquired	**70**	**3**	**73**
Components of cost of acquisition			
Consideration paid			68
Directly attributable acquisition costs			2
Contingent consideration			3
Consideration (including acquisition costs)			**73**
Satisfied by:			
Consideration (including acquisition costs)			73
Contingent consideration			(3)
Cash and cash equivalents acquired			(36)
Net cash outflow to the Group			**34**

In the period from 21 October 2009 to 31 December 2009, International Power Canada Inc contributed £2 million to revenue and made no contribution to the Group's current operating income.

In the same period post acquisition, International Power Canada Inc made no material contribution to the Group's cash flow from operating activities or any material tax payments. It paid £1 million in respect of interest in the period.

The fair value adjustments are made to reflect the fair value of net assets acquired. These principally represent the fair valuation of service concession receivables, based on an analysis of estimated future cash flows, and intangible assets, principally relating to development projects and service income. Deferred tax is recognised for the temporary difference created by the fair value adjustments. The Group employed a professional firm of valuers to perform the fair valuation exercise.

If the acquisition had taken place on 1 January 2009 the business would have contributed £6 million of revenue (and Group revenue would have been £3,951 million) and £2 million of current operating income (and Group current operating income would have been £1,027 million).

Due to the proximity of the date of acquisition to the end of the reporting period, the fair values attributed to the acquired assets and liabilities are provisional and may be revised.

2.1.2. Disposal of International Power Opatovice

On 13 November 2009 the Group completed the sale of International Power Opatovice, and its interests in its joint ventures Pražská Teplárenská and Energotrans, to the Czecho-Slovak investment firm J&T Group.

A reconciliation of proceeds and profit on disposal to cash inflow is as follows:

	2009
	In millions of pounds
Net consideration	593
Net assets disposed of	(259)
Reclassification adjustment from translation reserve	93
Profit on disposal	**427**
Net consideration	593
Costs not paid at the end of the reporting period	12
Cash and cash equivalents disposed of (including proportionate share of joint ventures)	(113)
Cash inflow to the Group	**492**

2.2 Significant events in 2008

2.2.1. Portfolio of North American peaking plants

On 29 July 2008, IPA Central LLC, a wholly owned subsidiary of International Power plc, completed the purchase of 100% of the voting partnership capital of Armstrong Energy Limited Partnership LLLP, and 100% of the voting share capital of Pleasants Energy LLC, Troy Energy LLC and Calumet Energy Team LLC. These entities between them own a 1,857MW portfolio of peaking generation facilities, located in the US in Pennsylvania, New Jersey and Maryland, and Midwest Independent System Operator power pools. The purchase price was US$864 million (£436 million). The results of these entities have been consolidated as subsidiaries with effect from 29 July 2008 using the acquisition method.

The details of the transaction, results and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount	*Fair value adjustments Group*	*Fair value to the*
	In millions of pounds		
Property, plant and equipment, net	139	346	485
Inventories	7	5	12
Trade and other receivables	4	—	4
Derivative financial assets	6	—	6
Trade and other payables	—	(1)	(1)
Provisions	—	(3)	(3)
Deferred tax liabilities	—	(67)	(67)
Net assets acquired	**156**	**280**	**436**
Satisfied by:			
Cash consideration paid			434
Acquisition costs			2
Net cash outflow to the Group			**436**

In the period from 29 July 2008 to 31 December 2008 the portfolio of peaking plants contributed £17 million of revenue and £5 million to the Group's current operating income.

The portfolio of peaking plants also contributed £10 million to the Group's cash flows from operating activities and paid £7 million in respect of net interest and £nil in respect of tax.

The fair value adjustments are made to reflect the fair value of net assets acquired. These principally represent the fair valuation of property, plant and equipment based on an analysis of depreciated replacement costs and discounted cash flows pertaining to the power plants; the revaluation of fuel stocks to market prices, and the creation of an onerous contract provision relating to 'out of the money' capacity contracts. Deferred tax is also recognised for the temporary difference created by the fair value adjustments. The Group employed a professional firm of valuers to perform the fair valuation exercise.

In respect of the year ended 31 December 2008, if the acquisition of the portfolio of peaking plants had taken place on 1 January 2008 the portfolio would have contributed £35 million of revenue (and Group revenue would have been £3,880 million) and £7 million of current operating income (and Group current operating income would have been £921 million).

2.2.2. Turbogás – Produtora Energética SA

On 5 June 2008, International Power acquired an additional 40% shareholding in Turbogás – Produtora Energética SA and an additional 27% shareholding in the associated operations and maintenance company Portugen Energia SA for total cash consideration of €127 million (£101 million). These additional share purchases took International Power's stakeholdings in both businesses to 100%.

2.2.3. Small European wind farms and solar projects

In 2008 International Power acquired the following voting equity share capital for £2 million:

- in July 2008, 100% of the equity share capital of a business which owns 1.6MW of operational solar panels, located in Spain;
- in August 2008, 75% of the equity share capital of the PEG 30MW wind farm under construction, located in Italy.

2.2.4. Uch Power

International Power accounts for its interest in Uch Power (Pvt) Limited as a jointly controlled entity, due to the joint control of its activities exerted by its shareholders. On 19 March 2008, International Power acquired an additional 31% shareholding in the Uch Power project and rights to related service fee income payable by the project company. Following receipts out of the project and consequential deferred consideration, total cash consideration, net of proportionate share of cash and cash equivalents acquired, was US$68 million (£35 million). The acquisition took the Group's total holding in the Uch Power project to 71%.

2.2.5 Acquisition of T-Power

On 16 December 2008, International Power acquired a third of the equity of Tessenderlo Power (T-Power), a 420MW CCGT greenfield project in Tessenderlo, Belgium. The final payments were made for the equity during 2009.

2.3 Significant events in 2007

2.3.1 Simply Energy

On 7 July 2005, iPower Pty Limited, a wholly-owned subsidiary of International Power plc, completed a retail energy partnership agreement with EnergyAustralia. The retail energy partnership sells electricity and gas to retail customers in Victoria and South Australia. In the Group accounts, the retail partnership was accounted for as a 50% owned jointly controlled entity with effect from 7 July 2005.

On 16 August 2007, the Group completed the acquisition of the remaining 50% of the EnergyAustralia and International Power Australia retail energy partnership, through its subsidiary IP Retail Pty Limited, for £56 million. Following the completion of this transaction the business was renamed Simply Energy. The results of Simply Energy have been consolidated as a subsidiary from this date using the acquisition method.

The details of the transaction, result and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount	*Fair value adjustments*	*Fair value to the Group*
	In millions of pounds		
Intangible assets, net	6	(6)	—
Trade and other receivables	55	—	55
Derivative financial assets	40	—	40
Cash and cash equivalents	4	—	4
Borrowings	(25)	—	(25)
Trade and other payables	(29)	—	(29)
Deferred tax liabilities	(20)	7	(13)
Provisions	—	(17)	(17)
Net assets acquired	**31**	**(16)**	**15**
Goodwill arising on acquisition			71
Fair value of net assets acquired and goodwill			**86**
Components of cost of acquisition			
Consideration for initial 50% shareholding in July 2005			27
Consideration for remaining 50% shareholding			56
Total cost of acquisition			83
Earnings of initial 50% shareholding (while Simply Energy was a jointly controlled entity)			11
Revaluation deficit on step acquisition			(8)
Fair value of net assets acquired and goodwill			**86**
Consideration for remaining 50% shareholding			56
Cash and cash equivalents acquired (net of proportionate share of cash and cash equivalents of joint ventures previously held)			(2)
Net cash outflow to the Group			**54**

In the period from 17 August 2007 to 31 December 2007, Simply Energy contributed £84 million of revenue and £2 million to the Group's current operating income.

It also contributed £14 million to the Group's cash flows from operating activities and paid £1 million in respect of net interest and £nil in respect of tax.

The fair value adjustments are made to reflect the fair value of the net assets acquired and principally represent the recognition of the fair value of non-contractual customer relationships included by the acquiree as intangible assets, the recognition of provisions for unprovided amounts in respect of onerous customer contracts, and the associated deferred tax on the temporary timing difference created by the fair value adjustments.

Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. In the case of Simply Energy, goodwill is generated by non-contractual customer relationships and synergies existing within the acquired business, such as the value of the assembled workforce. Synergies expected to be achieved as a result of combining Simply Energy with the International Power Group also contribute to goodwill.

Goodwill is recognised on the acquisition of Simply Energy as a result of the continuing recognition of goodwill previously recognised in July 2005 on the acquisition of the initial 50% interest in the jointly controlled entity. Further goodwill arises on consolidation following the acquisition in August 2007.

The revaluation deficit comprises the adjustment to the fair values in August 2007 of customer relationships and customer contracts which were treated as 'own use' in accounting for the initial 50% interest in the retail partnership.

It is impracticable to state what the impact would have been on Group revenue and profit for the year had the acquisition been completed on 1 January 2007 due to the difficulty in ascertaining the valuation of the assets and liabilities at that time.

2.3.2. Maestrale

On 31 August 2007 International Power plc, through wholly owned subsidiaries, completed the acquisition of the 636MW Maestrale wind farm portfolio which comprised 581MW in operation and 55MW under construction. Maestrale was acquired from private investors connected with the Matrix Group and CJS Capital Partners Limited. The wind farm portfolio is located onshore in Germany and, predominantly, in southern Italy. The results of Maestrale have been consolidated as a subsidiary from 31 August 2007 using the acquisition method.

The details of the transaction, results and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount	*Fair value adjustments*	*Fair value to the Group*
		In millions of pounds	
Other intangible assets	—	51	51
Property, plant and equipment, net	343	675	1,018
Finance lease receivable	75	22	97
Inventory	11	5	16
Trade and other receivables	144	(13)	131
Derivative financial assets	4	—	4
Cash and cash equivalents	44	—	44
Short-term borrowings	(41)	—	(41)
Trade and other payables	(84)	(11)	(95)
Current tax liabilities	(18)	—	(18)
Long-term borrowings	(652)	—	(652)
Deferred tax liabilities	(65)	(244)	(309)
Provisions	(3)	(7)	(10)
Net assets acquired	**(242)**	**478**	**236**
Minority interests in net assets acquired			(1)
Goodwill arising on acquisition			360
Group's share of net assets acquired and goodwill			**595**
Satisfied by:			
Cash consideration paid (including £2 million acquisition costs)			595
Cash and cash equivalents acquired			(44)
Net cash outflow to the Group			**551**

In the period from 1 September 2007 to 31 December 2007, Maestrale contributed £24 million of revenue and £9 million to the Group's current operating income. It also contributed £18 million to the Group's cash flows from operating activities, which included a payment of £4 million in respect of tax, and paid £18 million in respect of net interest.

The fair value adjustments are made to reflect the fair value of the net assets acquired. These principally represent the recognition of intangible assets consisting of contract-based intangibles, the recognition of operating plant and assets under construction as well as finance leases at fair value. Deferred tax is also recognised for the temporary timing difference created by the fair value adjustments.

Goodwill arises on the acquisition of the Maestrale wind farm portfolio as a result of value, attributed to future cash flows associated with the expected repowerings of the assets and the resulting life extension of the tariff regimes, in excess of the amount that can be attributed to property, plant and equipment.

Due to the proximity of the acquisition to the year end, the complexity of the business and the number of entities acquired it is impracticable to state what the impact would have been on Group revenue and profit for the year had the acquisition been completed on 1 January 2007 due to the difficulty in ascertaining the valuation of assets and liabilities at that time.

2.3.3. Other acquisitions and disposals

New partnership with Mitsui

On 20 June 2007, International Power completed the formation of a new partnership with Mitsui & Co., Ltd (Mitsui). The partnership created a common ownership platform for the UK assets, (excluding Derwent), held 75% International Power and 25% Mitsui, and equalised the returns from Paiton, Indonesia. This follows the Extraordinary General Meeting on 15 June 2007, when shareholders voted in favour of the transaction.

As part of this agreement, International Power sold a 25% equity interest in Deeside, Rugeley and Indian Queens to Mitsui and acquired an additional 5% equity interest in First Hydro and Saltend. Mitsui provided a £200 million credit facility to support trading activities of the UK assets. International Power also acquired the right to additional returns from Paiton equivalent to 9.2% of Paiton's earnings and cash distributions.

The sale and purchase of the interests in the UK assets and Paiton resulted in a net cash payment of £106 million to International Power. Gross proceeds of £168 million and a profit on disposal of £174 million were recorded on the partial disposal of Deeside, Rugeley and Indian Queens.

Acquisition of other European wind farms

During 2007 International Power also acquired 100% of the voting equity instruments or partners' capital of the following businesses:

- In July 2007 a 16MW operational wind farm, located at Delfzijl-Zuid in the Netherlands;
- In September 2007 the 28MW Schkortleben operational wind farm, located in Germany, from e.n.o. energy;
- In December 2007 a 15MW operational wind farm, located at Delfzijl-Zuid in the Netherlands;
- In December 2007 the 20MW Karstaedt operating wind farm, located in Germany.

Total consideration for all acquisitions amounted to £50 million. Consideration of £2 million remains unpaid at the year end.

Malakoff

On 30 April 2007 the Company completed the sale of its interests in the Malakoff wholesale power generation business to MMC Corporation resulting in a profit on disposal of £115 million (refer to note 5.3) and proceeds of £249 million.

2.3.4. Gain of control of subsidiaries net of cash and cash equivalents acquired

In addition to the net cash out flow to the Group, net of proportionate share of cash and cash equivalents of joint ventures previously held, of £54 million relating to the acquisition of Simply Energy and the net cash outflow of £551 million relating to the acquisition of Maestrale, net cash outflows of £46 million arose on the acquisition of the other European wind farms.

NOTE 3 – Segment information

3.1 Operating segments

The Group is a global energy business that focuses on power generation. The international operations are managed as five separate geographic regions, namely North America, Europe, Middle East, Australia and Asia, and this reflects the different characteristics within each region. As the Group is structured and managed as five regions, the segment results, assets and liabilities are presented in this way. With the exception of Profit from operations ('PFO') which is discussed below, the accounting policies applied in the presentation of results of the five reportable segments are the same as the accounting policies described in note 1. Refer to note 28 for a list of significant entities within each region.

3.2 Key indicators by operating segment

Revenue

All five reportable segments derive their revenue from electricity generation. There is no inter-segment revenue, therefore only revenue obtained from customers external to the Group is presented. The results presented reflect the geographical location of both the businesses and their customers, i.e. there are no material cross-border sales.

Revenue

	2009	*2008*	*2007*
		In millions of pounds	
North America	840	1,018	829
Europe	1,940	1,900	1,540
Middle East	152	119	111
Australia	846	698	507
Asia	169	127	97
Total revenue	**3,947**	**3,862**	**3,084**

In addition to the revenue of five reportable segments above, the following tables present the revenue from external customers attributed to the UK, International Power's country of domicile, and attributed to individual foreign countries where they are material. The 'other' category is used to aggregate individual foreign countries which are not material.

Revenue

	2009	*2008*	*2007*
		In millions of pounds	
US	695	899	729
Italy	104	95	24
UK	1,259	1,136	1,064
Australia	846	698	507
Other	1,043	1,034	760
Total revenue	**3,947**	**3,862**	**3,084**

Profit from operations

During the periods presented, PFO was used by management as a Key Performance Indicator to measure the operating profitability of the Group. It excludes the impact of all non-operating costs from subsidiaries, financing costs and income tax expense. It also excludes exceptional items and specific IAS 39 mark-to-market movements, and therefore provides a comprehensive measure of operational performance. PFO was also calculated by applying the equity method of accounting to the results of joint ventures.

In the segment profit disclosure which follows, PFO (excluding exceptional items and specific IAS 39 mark-to-market movements) is presented, because during the periods presented it was one of the components that the Board monitored in making decisions about operating matters. Such components are identified on the basis of internal reports that the Board reviews regularly in allocating resources to segments and in assessing their performance.

	2009	2008	2007
	In millions of pounds		
Profit from operations (excluding exceptional items and specific IAS 39 mark-to-market movements)			
North America	134	177	136
Europe	647	580	569
Middle East	85	69	68
Australia	233	167	82
Asia	101	92	83
	1,200	1,085	938
Corporate	(52)	(49)	(52)
	1,148	**1,036**	**886**

Reconciliation of Profit from operations to EBITDA

	2009	2008	2007
	In millions of pounds		
Profit from operations	1,148	1,036	886
Expected return on pension schemes' assets	(16)	(19)	(16)
Interest on pension schemes' liabilities	15	15	12
Proportionate share of joint ventures' interest	24	26	21
Proportionate share of joint ventures' tax	9	10	5
Share of results of associates	(155)	(149)	(117)
Depreciation, amortisation and provisions	340	248	263
Share-based payment	7	6	7
EBITDA	**1,372**	**1,173**	**1,061**

EBITDA

	2009	2008	2007
	In millions of pounds		
North America	223	227	177
Europe	758	673	690
Middle East	56	46	47
Australia	325	245	154
Asia	47	36	28
Corporate	(37)	(54)	(35)
Total EBITDA	**1,372**	**1,173**	**1,061**

Current operating income

	2009	2008	2007
	In millions of pounds		
North America	147	190	150
Europe	599	535	541
Middle East	51	43	44
Australia	236	168	84
Asia	43	34	25
Corporate	(51)	(51)	(53)
Total current operating income	**1,025**	**919**	**791**

Depreciation and amortisation (excluding impairment of property, plant and equipment and intangible assets)

	2009	2008	2007
	In millions of pounds		
North America	113	95	76
Europe	161	142	147
Middle East	5	4	3
Australia	97	78	72
Asia	4	3	3
Corporate	2	1	—
Total depreciation and amortisation	**382**	**323**	**301**

Income from operating activities

	2009	2008	2007
	In millions of pounds		
North America	179	177	133
Europe	1,112	612	523
Middle East	51	43	44
Australia	356	219	(89)
Asia	43	34	140
Corporate	(51)	(51)	(53)
Total income from operating activities	**1,690**	**1,034**	**698**

Capital expenditure (CAPEX)

	2009	2008	2007
	In millions of pounds		
North America	46	522	34
Europe	252	204	1,151
Middle East	4	2	3
Australia	90	80	57
Asia	1	7	2
Corporate	—	5	—
Total capital expenditure (CAPEX)	**393**	**820**	**1,247**

The table above includes property, plant and equipment recognised on the acquisition of subsidiaries during the year in addition to expenditure incurred during the year.

Expenditure on goodwill and other intangible assets

	2009		2008		2007	
	Goodwill	*Other intangibles*	*Goodwill*	*Other intangibles*	*Goodwill*	*Other intangibles*
			In millions of pounds			
North America	—	23	—	—	—	—
Europe	—	—	41	5	393	69
Middle East	—	—	—	—	—	1
Australia	—	—	—	—	71	—
Asia	—	—	—	8	—	—
	—	**23**	**41**	**13**	**464**	**70**

The table above includes purchased goodwill and intangible assets recognised on the acquisition of subsidiaries during the year in addition to expenditure incurred on other intangible assets.

3.3 Reconciliation of EBITDA

Reconciliation of EBITDA with current operating income

	2009	*2008*	*2007*
Current operating income	1,025	919	791
– Depreciation, amortisation and provisions	340	248	263
– Share-based payment (IFRS 2)	7	6	7
EBITDA	**1,372**	**1,173**	**1,061**

3.4 Segmental assets and liabilities

Segment assets

	2009			2008			2007		
	Segment assets	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*
	In millions of pounds								
North America	2,816	—	2,816	3,223	—	3,223	1,837	—	1,837
Europe	6,666	241	6,907	7,420	264	7,684	5,853	180	6,033
Middle East	521	90	611	632	(53)	579	394	49	443
Australia	2,839	—	2,839	2,559	—	2,559	2,478	—	2,478
Asia	572	565	1,137	639	574	1,213	371	416	787
	13,414	896	14,310	14,473	785	15,258	10,933	645	11,578
Corporate	511	—	511	533	—	533	544	—	544
Total assets	**13,925**	**896**	**14,821**	**15,006**	**785**	**15,791**	**11,477**	**645**	**12,122**

Segment liabilities

	2009			2008			2007		
	Segment liabilities	*Investments in associates*	*Total*	*Segment liabilities*	*Investments in associates*	*Total*	*Segment liabilities*	*Investments in associates*	*Total*
	In millions of pounds								
North America	1,216	—	1,216	2,023	—	2,023	1,299	—	1,299
Europe	4,532	—	4,532	5,186	—	5,186	4,195	—	4,195
Middle East	406	—	406	492	—	492	345	—	345
Australia	1,914	—	1,914	1,945	—	1,945	2,037	—	2,037
Asia	243	—	243	302	—	302	196	—	196
	8,311	—	8,311	9,948	—	9,948	8,072	—	8,072
Corporate	1,749	—	1,749	1,845	—	1,845	1,272	—	1,272
Total liabilities	**10,060**	**—**	**10,060**	**11,793**	**—**	**11,793**	**9,344**	**—**	**9,344**

The analysis of total assets and liabilities includes all attributable goodwill and excludes intercompany balances, which have been eliminated on consolidation. Corporate assets and liabilities include cash held at the corporate level, included in cash and cash equivalents; corporate borrowings, included in loans and bonds; and provisions.

Non-current assets other than financial instruments, deferred tax assets and post employment benefit assets

In addition to the segment assets and liabilities disclosed above, the following table presents the non-current assets other than financial instruments, deferred tax assets and post employment benefit assets located in the UK, International Power's country of domicile, and located in individual foreign countries where they are material. The 'other' category is used to aggregate individual foreign countries which are not material.

	2009			2008			2007		
	Segment assets	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*
	In millions of pounds								
US	1,984	—	1,984	2,319	—	2,319	1,269	—	1,269
Italy	1,754	115	1,869	1,958	107	2,065	1,530	60	1,590
UK	1,595	28	1,623	1,606	24	1,630	1,573	21	1,594
Australia	2,426	—	2,426	2,123	—	2,123	1,931	—	1,931
Other	924	753	1,677	1,193	654	1,847	778	564	1,342
	8,683	**896**	**9,579**	**9,199**	**785**	**9,984**	**7,081**	**645**	**7,726**

NOTE 4 – Current operating income

4.1 Revenue

4.2 Personnel costs

Personnel costs, including Directors' remuneration, were as follows:

	2009	*2008*	*2007*
Wages and salaries	206	170	148
Social security costs	15	14	12
Post-employment benefits			
– Defined contribution plans	7	5	4
– Defined benefit plans (note 18.2)	13	10	11
Share-based payments – equity settled	7	6	7
	248	205	182
Less: amount capitalised as part of property, plant and equipment	(4)	(3)	(3)
Total personnel costs	**244**	**202**	**179**

The average number of employees during the financial year, analysed by geographic segment was:

	2009	*2008*	*2007*
		In millions of pounds	
North America	431	416	392
Europe	1,718	1,803	1,704
Middle East	523	537	566
Australia	905	849	802
Asia	624	628	612
Corporate and development	212	205	183
Average number of employees	**4,413**	**4,438**	**4,259**

4.3 Depreciation, amortisation and provisions

	2009	*2008*	*2007*
		In millions of pounds	
Amortisation of other intangible assets	34	23	75
Depreciation of property, plant and equipment	348	300	226
Write-down of inventories and trade receivables	4	4	2
Provisions	(46)	(79)	(40)
Total	**340**	**248**	**263**

4.4 Other income/(expense)

	2009	*2008*	*2007*
		In millions of pounds	
Minimum lease payments under operating leases recognised as an expense in the year	13	10	6

Other operating income and expenses, net principally comprise repairs and maintenance expenses, insurance, rental charges, indirect taxes such as business rates which are not recoverable, and external labour costs.

4.5 Fees payable to Company's auditor

	2009	*2008*	*2007*
	In millions of pounds		
Auditors' remuneration:			
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	0.6	0.5	0.5
Fees payable to the Company's auditor and their associates for other services:			
Audit of the Company's subsidiaries and joint ventures pursuant to legislation	2.5	3.4	2.1
Other services	0.1	—	0.3

Other services comprise other services supplied pursuant to legislation, tax services, services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Group and services relating to information technology.

The Audit Committee and the firm of external auditors have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. These safeguards include the implementation of a policy on the use of the external auditor for non-audit related services.

Where it is deemed that the work to be undertaken is of a nature that is generally considered reasonable to be completed by the auditor of the Company for sound commercial and practical reasons, the conduct of such work will be permissible provided that it has been pre-approved by the Audit Committee. Examples of pre-approved services include the completion of regulatory audits, provision of certain taxation and regulatory advice, and the completion of certain financial due diligence work. All these services are also subject to a predefined fee limit. Any work performed in excess of this limit must be approved by the Chief Financial Officer and the Audit Committee.

NOTE 5 – Income from operating activities

	2009	2008	2007
	In millions of pounds		
Current operating income	1,025	919	791
Mark-to-market on commodity contracts other than trading instruments	311	172	(326)
Impairment of property, plant and equipment, intangible assets and financial assets	(95)	(37)	(56)
Changes in scope of consolidation	449	(20)	289
Income from operating activities	**1,690**	**1,034**	**698**

5.1 Mark-to-market on commodity contracts other than trading instruments

Certain Group companies have implemented economic hedging strategies using forward contracts with the aim of reducing the sensitivity of margins to fluctuations in commodity prices. However, as these contracts cover the entities' net exposure to price risk or because of their complexity from an operational standpoint, they are not eligible for hedge accounting and are not designated as hedges under IAS 39. Changes in the fair value of these positions over the period resulted in a net gain of £311 million for the year ended 31 December 2009 (2008: £172 million; 2007: a net loss of £326 million).

5.2 Impairment of property, plant and equipment, intangible assets and financial assets

	2009	2008	2007
	In millions of pounds		
Impairment of assets:			
Property, plant and equipment and other intangible assets	—	(37)	(47)
Financial assets	(95)	—	(9)
Total	**(95)**	**(37)**	**(56)**

On 31 December 2009 the Group assessed whether there had been any objective evidence that the service concession receivable, relating to the Levanto portfolio of onshore wind farms, had been impaired. Using observed historical wind volumes, in order to determine more reliable forecasts of future wind volumes, and updated forecasts of operating costs, the impact on future cash flows was estimated. The result of this impairment test valuation was to recognise an impairment to the service concession receivable of £70 million, and within the total taxation charge for the year an associated deferred tax credit of £19 million. This impairment is recorded within the Europe region in the segment reporting of income from operating activities.

On 31 December 2009 the Group assessed whether there had been any objective evidence that the carrying amount of its available-for-sale investments had been impaired. The result of this impairment test valuation was to recognise an impairment of £25 million to the carrying amount of an investment pertaining to the Eggborough power plant, in the United Kingdom. There was no tax credit associated with this impairment. The impairment is recorded within the Europe region in the segment reporting of income from operating activities.

On 31 December 2008 the Group carried out a review of the recoverable amount of its Milford power plant based on its estimated value in use. Principally as a result of its long-term power purchase agreement coming to an end, and the projections of forward capacity and energy prices, the carrying amount of the plant was impaired by £37 million. There was no tax credit associated with this impairment. The impairment was recorded within the North America region in the segment reporting of income from operating activities.

At 31 December 2007, the intangible asset relating to the unamortised fair value of the gas supply agreement, acquired with Saltend in 2005, was impaired following a reduction in the gas forward price curve. A charge of £47 million and associated tax credit of £14 million were recognised. The impairment was recorded in the Europe region in the segment reporting of income from operating activities.

On 30 June 2007 the Group made a full provision against its investment in BioX due to increases in palm oil prices. The impairment was recorded in the Europe region in the segment reporting of income from operating activities.

5.3 Changes in scope of consolidation

On 13 November 2009 the Group completed the sale of International Power Opatovice, and its interests in its joint ventures Pražská Teplárenská and Energotrans, to the Czecho-Slovak investment firm J&T Group. Net consideration from the disposal, after costs, was £593 million and the profit on disposal was £427 million. There was no tax charge associated with this disposal (refer to note 2.1.3.). The profit on disposal was recorded in the Europe region in the segment reporting of income from operating activities.

On 14 October 2009, International Power, together with its joint venture partner, completed the sale of Hartwell Energy, a 318MW gas and oil-fired peaking facility located in Georgia, US, to Oglethorpe Power Corporation. Proceeds, net of cash and cash equivalents disposed of, from the 50% stake in Hartwell Energy amounted to £31 million and the profit on disposal was £22 million, including a reclassification adjustment of £1 million from the translation reserve. A tax charge of £8 million has also been recognised. The profit on disposal was recorded in the North America region in the segment reporting of income from operating activities.

In 2004, as part of the acquisition of the EME portfolio, International Power (through the Group's IPM Eagle partnership with Mitsui) acquired the Loy Yang B and Valley Power plants in Victoria, Australia. Although at the time the Group did not consider any Australian stamp duty would be payable, the Victorian State Revenue Office (VSRO) challenged that position. In 2008 the Group signed a settlement agreement with the VSRO, under which the Group agreed to make payments for stamp duty on the transaction spread over 5 years. The £20 million charged as an exceptional item represents the present value of those payments. These impacts were recorded within the Australia region in the segment reporting of income from operating activities.

On 30 April 2007 the Group completed the sale of its interests in the Malakoff wholesale power generation business to MMC Corporation resulting in a profit on disposal of £115 million.

On 20 June 2007 the Group completed the formation of a new partnership with Mitsui & Co., Ltd. The partnership created a common ownership platform for the UK assets, excluding Derwent, and equalised returns from Paiton. A profit on disposal of £174 million was recorded on the partial disposal of Deeside, Rugeley and Indian Queens. The profit on disposal was recorded in the Europe region in the segment reporting of income from operating activities.

NOTE 6 – Net financial income/(loss)

6.1 Financial expenses

	2009	2008	2007
	In millions of pounds		
Interest on:			
– bank loans and overdrafts	(355)	(366)	(298)
– other loans and bonds	(138)	(128)	(101)
– unwinding discount on provisions	(2)	(2)	(1)
– other payables	(5)	(8)	(8)
Interest cost in respect of pensions	(15)	(15)	(12)
Total interest expense calculated using the effective interest method for financial liabilities that are not at fair value through profit or loss	(515)	(519)	(420)
Less: amounts capitalised in the cost of qualifying assets	8	7	5
Foreign exchange losses	(13)	—	(7)
Total interest expense on liabilities not at fair value through profit or loss excluding exceptional items and specific IAS 39 mark-to-market movements	(520)	(512)	(422)
Specific IAS 39 mark-to-market movements on derivative financial instruments – losses (note 8.2)	(102)	—	(84)
Financial expenses	**(622)**	**(512)**	**(506)**

Gains and losses reflected directly in equity are shown in note 15.4.

Included within share in net income of associates is interest expense of £112 million (2008: £103 million; 2007: £89 million). Specific IAS 39 mark-to-market movements included within interest expense of net income of associates amount to a gain of £27 million (2008: a charge of £1 million; 2007: £nil).

6.2 Financial income

	2009	2008	2007
	In millions of pounds		
Interest income on financial assets not at fair value through profit or loss on:			
– available-for-sale financial assets	3	1	1
– loans to associates	21	18	14
– cash and cash equivalents	18	60	65
Expected return on pension plan assets	16	19	16
Financial income calculated using the effective interest method for financial assets that are not at fair value through profit or loss	58	98	96
Foreign exchange gains	—	24	—
Total finance income on financial assets not at fair value through profit or loss	58	122	96
Income on financial assets at fair value through profit or loss – net gain on remeasurement of assets held for trading	—	—	1
Specific IAS 39 mark-to-market movements on derivative financial instruments – gains (note 8.2)	—	358	—
Financial income	**58**	**480**	**97**

Interest income comprises interest earned from bank deposits and other financial assets. Included within share of results of associates is interest income of £37 million (2008: £30 million; 2007: £19 million).

Gains and losses reflected directly in equity are shown in note 15.4.

NOTE 7 – Income tax expense

7.1 Analysis of tax expense recognised in the consolidated income statement

7.1.1. Breakdown of income tax expense

	2009	2008	2007
	In millions of pounds		
Current tax charge			
UK corporation tax charge	61	55	68
Foreign tax	81	78	56
Adjustments in respect of prior years	(26)	18	4
Total current tax charge for the year	**116**	**151**	**128**
Deferred tax charge			
Origination and reversal of temporary differences	74	162	(186)
Benefits of tax losses recognised	(20)	(88)	(2)
Total deferred tax charge/(credit) for the year	**54**	**74**	**(188)**
Tax expense excluding exceptional items and specific IAS 39 mark-to-market movements	124	125	112
Exceptional tax credit	—	(59)	(49)
Tax expense/(credit) on exceptional items and specific IAS 39 mark-to-market movements	46	159	(123)
Total income tax expense/(credit) recognised in income for the year	**170**	**225**	**(60)**

Included in the tax expense are the following amounts relating to exceptional items and specific IAS 39 mark-to-market movements recorded in:

	2009	2008	2007
	In millions of pounds		
Mark-to-market on commodity contracts other than trading instruments	96	41	(91)
Impairment of property, plant and equipment, intangible assets and financial assets	(19)	—	(14)
Changes in scope of consolidation	8	—	—
Net financial loss	(39)	118	(18)
Tax expense/(credit) on exceptional items and specific IAS 39 mark-to-market movements	**46**	**159**	**(123)**

The deferred tax charge is derived as follows: £53 million from UK operations (2008: charge of £89 million; 2007: credit of £67 million) and £1 million from foreign operations (2008: credit of £15 million; 2007: credit of £121 million).

7.1.2. Reconciliation of tax expense to accounting profit

	2009	*2008*	*2007*
	In millions of pounds		
Profit before tax	1,126	1,002	289
Tax at domestic tax rate of 28% (2008: 28.5%, 2007: 30%)	315	286	87
Tax effect of:			
Different tax rates of subsidiaries and joint ventures operating in other jurisdictions	11	15	1
Tax holidays	(11)	(5)	(6)
Expenses not deductible/(income not taxable) in determining taxable profit	(89)	38	(66)
Losses not recognised/(utilisation of tax losses not previously recognised)	4	(9)	(7)
Change in tax rate	—	—	(78)
Adjustment to prior year provisions	(60)	(41)	9
Recognition of US tax losses (refer to note 8.2.2)	—	(59)	—
Income tax expense/(credit) for the year	**170**	**225**	**(60)**

From 1 July 2009 the UK introduced an exemption from tax for certain dividends received by UK tax resident entities. As a result of this legislative change, the provision for unremitted earnings of joint ventures and associates has been reduced by £35 million for the year ended 31 December 2009. This has been included within 'adjustment to prior year provisions' in the tax reconciliation above.

The statutory tax rate in the UK was reduced from 30% to 28% with effect from 1 April 2008. Tax rate increases occurred in Italy in 2008 for profits from non-renewable generation. The effects of these changes are included in the above amounts.

In respect of the results presented for the year ended 31 December 2007 the statutory tax rate in the UK was reduced from 30% to 28% with effect from 1 April 2008. Tax reductions also occurred in Italy, Germany and the Czech Republic. The effect of these rate changes is included in the above amounts for 2007.

7.2 Total tax expense/(credit)

	2009	*2008*	*2007*
	In millions of pounds		
Income statement	170	225	(60)
Equity	6	(23)	(23)
	176	**202**	**(83)**

7.3 Deferred tax assets and liabilities

7.3.1. Analysis of net deferred tax position.

Deferred tax accounted for in the consolidated statement of financial position and the potential amounts of deferred tax are:

	2009	*2008*	*2007*
	In millions of pounds		
Total gross deferred tax assets	648	620	461
Less: deferred tax assets not recognised	(49)	(63)	(144)
Total deferred tax assets	599	557	317
Total deferred tax liabilities	(1,478)	(1,433)	(1,030)
Net deferred tax liabilities	**(879)**	**(876)**	**(713)**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances after offset for statement of financial position purposes.

	2009	*2008*	*2007*
	In millions of pounds		
Deferred tax assets	67	127	144
Deferred tax liabilities	(946)	(1,003)	(857)
Net deferred tax liabilities	**(879)**	**(876)**	**(713)**

Deferred tax assets will be offset against suitable taxable profits when they arise.

Movement in temporary differences during the year:

	1 January 2009	*Recognised in income statement*	*Recognised in equity*	*Acquisition and disposal of subsidiaries and joint ventures*	*Other movements*	*Exchange differences*	*31 December 2009*
	In millions of pounds						
Intangible assets	(31)	5	—	—	1	3	(22)
Property, plant and equipment, service concession receivables and finance lease receivables	(1,273)	65	—	29	(3)	23	(1,159)
Dividends of overseas subsidiaries, associates and joint ventures	(80)	45	—	—	—	2	(33)
Derivative financial instruments	122	(85)	(12)	1	—	8	34
Employee benefits	31	4	5	—	—	(3)	37
Provisions	15	(2)	—	—	(2)	—	11
Tax losses	253	(22)	—	—	—	(12)	219
Other temporary differences	87	(64)	—	(3)	1	13	34
	(876)	**(54)**	**(7)**	**27**	**(3)**	**34**	**(879)**

	1 January 2008	Recognised in income statement	Recognised in equity	Acquisition and disposal of subsidiaries and joint ventures	Other movements	Exchange differences	31 December 2008
	In millions of pounds						
Intangible assets	(29)	6	—	—	—	(8)	(31)
Property, plant and equipment, service concession receivables and finance lease receivables	(1,049)	(31)	—	(71)	83	(205)	(1,273)
Dividends of overseas subsidiaries, associates and joint ventures	(59)	(15)	—	—	—	(6)	(80)
Derivative financial instruments	242	(157)	31	—	—	6	122
Employee benefits	19	1	9	—	—	2	31
Provisions	18	(8)	—	1	3	1	15
Tax losses	107	88	—	—	(3)	61	253
Other temporary differences	38	42	(4)	(1)	4	8	87
	(713)	**(74)**	**36**	**(71)**	**87**	**(141)**	**(876)**

	1 January 2007	Recognised in income statement	Recognised in equity	Acquisition and disposal of subsidiaries and joint ventures	Other movements	Exchange differences	31 December 2007
	In millions of pounds						
Intangible assets	(40)	33	—	(22)	—	—	(29)
Property, plant and equipment, service concession receivables and finance lease receivables	(394)	85	—	(337)	(345)	(58)	(1,049)
Dividends of overseas subsidiaries, associates and joint ventures	(57)	(5)	—	—	3	—	(59)
Derivative financial instruments	117	101	24	(12)	—	12	242
Employee benefits	22	2	(5)	—	—	—	19
Provisions	7	3	—	8	—	—	18
Tax losses	101	2	—	—	—	4	107
Other temporary differences	(322)	(33)	—	40	354	(1)	38
	(566)	**188**	**19**	**(323)**	**12**	**(43)**	**(713)**

7.3.2. Deductible temporary differences not recognised in the statement of financial position

The Group has £219 million (2008: £267 million; 2007: £202 million) potential deferred tax assets in respect of tax losses. Of this amount £163 million (2008: £174 million; 2007: £158 million) can be carried forward for a period of between 12 and 20 years. The balance can be carried forward indefinitely. The entire £219 million of losses has been recognised (2008: of the £267 million of losses, £253 million has been recognised; 2007: of the £202 million of losses, £107 million has been recognised).

7.3.3. Unrecognised deferred taxes on taxable temporary differences relating to investments in subsidiaries, joint ventures and associates

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates was £6,087 million (2008: £5,849 million; 2007: £4,311 million). At 31 December 2009 a deferred tax provision of £33 million (2008: £80 million; 2007: £59 million) has been recognised in respect of these temporary differences which are likely to reverse in the near future or where the Group is unable to control the reversal of the timing difference and where tax may arise as a consequence of such a reversal.

Calculation of the potential deferred tax liability for the total aggregate undistributed earnings has not been undertaken as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

If the temporary differences were to reverse in the future, it is probable that the majority of the potential tax liability would be covered by tax credits in respect of tax paid locally or the new UK dividend exemption.

NOTE 8 – Earnings per share

8.1 Basic earnings per share

Earnings per share is presented both before exceptional items and after exceptional items and specific IAS 39 mark-to-market movements in order to allow a better understanding of International Power's underlying business performance.

Those items that International Power presents as exceptional and specific IAS 39 mark-to-market movements are items which are inherently difficult to predict due to their unusual irregular or non-recurring nature. For International Power such items relate to the asset impairments and disposals, items presented on the line ''Changes in the scope of consolidation'', restructuring costs and mark-to-market on commodity contracts other than trading instruments presented in Income from operating activities as well as to mark-to-market movements on derivative contracts used in economic hedges of financing transactions and presented in Financial expenses and Financial income and the tax effect on these items if any. To the extent that such items are comprised in Share in net income of associates, those items have been isolated for purpose of this calculation.

	2009	*2008*	*2007*
Numerator (In millions of pounds)			
Net income Group share	981	834	440
Impact of exceptional items and specific IAS 39 mark-to-market movements	488	349	46
Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	493	485	394
Denominator (In millions of shares)			
Average number of shares outstanding	1,521.3	1,510.2	1,498.0
IMPACT OF DILUTIVE INSTRUMENTS	148.0	191.9	10.8
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,669.3	1,702.1	1,508.8
Earnings per share (in pence)			
Earnings per share – Net income Group share	64.5	55.2	29.4
Diluted earnings per share – Net income Group share	61.8	34.4	29.2
Earnings per share – Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	32.4	32.1	26.3
Diluted earnings per share – Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	31.9	30.3	26.1

8.2 Exceptional items and specific IAS 39 mark-to-market movements (net of tax and minority interests)

	2009	*2008*	*2007*
	In millions of pounds		
Mark-to-market on commodity contracts other than trading instruments[(1)]	311	172	(326)
Impairment of property, plant and equipment, intangible assets and financial assets[(2)]	(95)	(37)	(56)
Changes in scope of consolidation[(3)]	449	(20)	289
Income from operating activities	665	115	(93)
Financial expenses	(102)	—	(84)
Financial income	—	358	—
Net financial (loss)/gain (note 8.2.1)	(102)	358	(84)
Income tax effect on the above items	(46)	(159)	123
Exceptional taxation (note 8.2.2)	—	59	49
Share in net income of associates (note 8.2.3)	21	(1)	—
Total impact of exceptional items and specific IAS 39 mark-to-market movements recognised in net income	538	372	(5)
Group share	488	349	46
Minority interests	50	23	(51)

(1) Refer to note 5.1.

(2) Refer to note 5.2.

(3) Refer to note 5.3.

8.2.1. Net financial (loss)/gain

Included in net financial (loss)/gain are the following specific IAS 39 mark-to-market movements:

	2009	*2008*	*2007*
	In millions of pounds		
3.75% Convertible US Dollar Bonds 2023	(80)	239	(64)
3.25% Convertible Euro Bonds 2013	(25)	76	(17)
4.75% Convertible Euro Bonds 2015	(4)	74	—
Other specific IAS 39 mark-to-market movements	7	(31)	(3)
	(102)	**358**	**(84)**

8.2.2. Exceptional taxation

As a result of the acquisition in 2008 of the portfolio of North American peaking plants, the recoverability of certain International Power US tax losses for which no deferred tax asset had previously been recognised was re-assessed. The acquisition created significant deferred tax liabilities, against which the tax losses can be offset in future, and hence a deferred tax asset for those losses was recognised.

On 28 December 2007 a change in the standard rate of Italian corporation tax from 37.5% to 31.4%, effective 1 January 2008, was approved by the Italian government. Consequently all relevant deferred tax assets and liabilities as at 31 December 2007 were remeasured at 31.4%. The resulting net credit of £49 million relating to reducing the net deferred tax liabilities of the Maestrale acquisition was presented as an exceptional item due to its magnitude and proximity of the date of change in standard rate of tax to the date of acquisition.

8.2.3. Share in net income of associates

Post tax mark-to-market movements recognised in share in net income of associates amounted to a gain of £21 million for the year ended 31 December 2009 (2008: a loss of £1 million; 2007: £nil).

8.3 Diluted earnings per share

In the accounting periods presented, the dilutive impact of the Group's Convertible Bonds has been treated as follows when calculating dilutive earnings per share after exceptional items and specific IAS 39 mark-to-market movements.

	2009	*2008*	*2007*
3.75% Convertible US Dollar Bonds 2023	Anti-dilutive	Dilutive	Anti-dilutive
3.25% Convertible Euro Bonds 2013	Dilutive	Dilutive	Anti-dilutive
4.75% Convertible Euro Bonds 2015	Dilutive	Dilutive	N.A.

The treatment of whether potential Ordinary Shares are dilutive or anti-dilutive in the calculation of diluted earnings per share before exceptional items and specific IAS 39 mark-to-market movements is applied consistently with its determination in the calculation of diluted earnings per share after exceptional items and specific IAS 39 mark-to-market movements.

NOTE 9 – Goodwill

9.1 Movements in the carrying amount of goodwill

Carrying amount

	£m
At 31 December 2006	**248**
Acquisitions	464
Disposals	(22)
Translation adjustments	43
At 31 December 2007	**733**
Acquisitions	41
Translation adjustments	167
At 31 December 2008	**941**
Disposals	(11)
Translation adjustments	(43)
At 31 December 2009	**887**

No goodwill has been impaired in the current or prior periods.

The disposal in 2009 relates to International Power Opatovice in the Czech Republic (see notes 2.1.2 and 5.3). The £41 million acquired through business combinations in 2008 relates to the acquisition of an additional 40% shareholding in Turbogás and an additional 27% shareholding in Portugen. The £22 million disposal in 2007 relates to the goodwill of the Energy Australia joint venture. The £464 million acquired through business combinations in 2007 relates to Maestrale (£360 million), Simply Energy as a subsidiary (formerly Energy Australia) (£71 million), Saltend (£23 million) and First Hydro (£10 million). Refer to notes 2.2 to 2.3 for further details of acquisitions.

9.2 Goodwill segment information

Given the geographical diversity of the Group's businesses and the nature of their operations, for impairment testing purposes the Directors consider that each business is a separate cash generating unit. The following cash generating units have significant carrying amounts of goodwill:

	31 December 2009	*31 December 2008*	*31 December 2007*
	In millions of pounds		
Goodwill			
Maestrale (Europe)	472	515	391
First Hydro (Europe)	163	163	163
Simply Energy (Australia)	100	87	80
Turbogás (Europe)	80	87	28
Coleto Creek (North America)	46	52	37
Saltend (Europe)	23	23	23
International Power Opatovice (Europe)	—	11	9
Others	3	3	2
Total	**887**	**941**	**733**

9.3 Impairment of goodwill

The Group tests goodwill for impairment annually or when there is an indication that goodwill might be impaired. The cash generating units' recoverable amounts are determined from value in use calculations.

Value in use calculations are based on projected cash flows from individual project whole life asset models and are updated during an annual valuation exercise approved by the Directors. The projected risk-adjusted cash flows are expressed in nominal terms and extend over the whole of the assets' expected lives as this best reflects the long-term nature of the returns generated by the long-life assets. The whole of life cash flows include those pertaining to the liquidation of the businesses at the end of the assets' lives.

The key assumptions include the market prices for electricity, fuel, carbon and operating costs over the lives of the assets and the discount rates applied to the cash flows.

Market price assumptions are considered in the light of forward price curves (which represents the Group's view as to prices at which customers would currently contract for delivery or settlement of commodities, such as power or gas, at future dates) and forecast demand and supply growth over the lives of the assets. Electricity prices beyond the period of an observable market are determined by reference to long-term market price assumptions relating to the prices of commodities such as oil, the cost of constructing and financing the building of new power plants, and the prices at which it would be economic for companies to enter the market and start building additional capacity ('new entrant pricing'). Projected wind yields are based on historical data and wind study reports provided by third party consultants.

To test for impairment, the pre-tax cash flows have been discounted using pre-tax rates. Pre-tax risk adjusted discount rates take into account current market assessments of the time value of money and risks specific to the respective cash generating unit. Generally, the lower end of the discount rate range is applied to entities where demand risk is borne by the offtaker, while the upper end of the discount rate range is applied to merchant businesses, reflecting the increased demand risk and the possible variability of future cash flows.

The key assumptions used in the value in use calculations are as follows:

	2009	*2008*	*2007*
Remaining asset lives and period over which cash flows are discounted (years)	**16 to 42**	17 to 43	18 to 44
Pre-tax discount rates	**7% to 12%**	8% to 13%	6% to 13%

The recoverable amounts of cash generating units are in excess of their carrying amounts.

For merchant generation businesses, a decrease in the forward price curves of electricity, and for long-term contracted PPA businesses, a reduction in the capacity payments, over the lives of the assets in the range of 4% to 24% (2008: 10% to 23%) would be required for the cash generating units' recoverable amounts to equal their carrying amounts.

Increasing the pre-tax discount rates between 1% and 18% (2008: 1% and 16%; 2007: 9% and 17%) would be required for the cash generating units' recoverable amounts to equal their carrying amounts. The cash generating unit which applies the lowest discount rate has long-term contracted cash flows which are not subject to demand risk.

NOTE 10 – Intangible assets, net

10.1 Movements in intangible assets

	Contracts and rights	Other intangible assets	Total
	In millions of pounds		
Gross amount			
At 1 January 2007	**385**	**—**	**385**
Additions	1	—	1
Acquisition of subsidiaries	69	—	69
Disposals	(8)	—	(8)
Exchange differences	1	—	1
At 31 December 2007	**448**	**—**	**448**
Additions	10	—	10
Acquisition of subsidiaries	3	—	3
Exchange differences	78	—	78
At 31 December 2008	**539**	**—**	**539**
Acquisition of subsidiaries	4	19	23
Exchange differences	(27)	1	(26)
At 31 December 2009	**516**	**20**	**536**

	Contracts and rights	Other intangible assets	Total
	In millions of pounds		
Accumulated amortisation and impairment			
At 1 January 2007	**154**	**—**	**154**
Amortisation charge for the year	75	—	75
Impairments	47	—	47
Disposals	(5)	—	(5)
Exchange differences	1	—	1
At 31 December 2007	**272**	**—**	**272**
Amortisation charge for the year	23	—	23
Exchange differences	21	—	21
At 31 December 2008	**316**	**—**	**316**
Amortisation charge for the year	34	—	34
Exchange differences	(7)	—	(7)
At 31 December 2009	**343**	**—**	**343**
Carrying amount			
At 31 December 2007	**176**	**—**	**176**
At 31 December 2008	**223**	**—**	**223**
At 31 December 2009	**173**	**20**	**193**

10.2 Contracts and rights

Contracts and rights with finite useful lives are amortised over the period in which benefits are expected to arise. In 2008 contracts and rights acquired principally relate to development rights for European wind farms and other renewables projects. The amortisation of these contracts is included in depreciation, amortisation and provisions. The acquired contracts and rights in 2007 relate to fixed price offtake agreements and favourable contracts acquired as part of the Maestrale acquisition and the Group's other European wind farm acquisitions. The amortisation of these contracts is included in depreciation, amortisation and provisions. In 2007 the carrying amount of the Saltend gas contract was impaired in full.

10.3 Other intangible assets

The intangible assets acquired in 2009 include development projects relating to the acquisitions of AIM PowerGen by International Power Canada Inc which are assessed to have indefinite useful lives. There are no other intangible assets, other than goodwill, with indefinite useful lives.

Intangible assets with a carrying amount of £126 million (2008: £161 million; 2007: £158 million) are subject to fixed and floating charges from banks providing borrowing facilities which are non-recourse to the Company.

NOTE 11 – Property, plant and equipment, net

11.1 Movements in property, plant and equipment

	Land and buildings	*Plant, machinery and equipment*	*Assets in course of construction*	*Total*
		In millions of pounds		
Gross amount				
At 1 January 2007	**366**	**5,604**	**75**	**6,045**
Additions	5	62	137	204
Government grants received	—	—	(1)	(1)
Acquisition of subsidiaries and joint ventures	2	977	64	1,043
Disposals	(11)	(12)	—	(23)
Reclassifications and transfers	2	89	(91)	—
Exchange differences	30	292	19	341
At 31 December 2007	**394**	**7,012**	**203**	**7,609**
Additions	2	137	153	292
Acquisition of subsidiaries and joint ventures	1	490	37	528
Disposals	—	(25)	—	(25)
Reclassifications and transfers	4	111	(115)	—
Exchange differences	106	1,625	32	1,763
At 31 December 2008	**507**	**9,350**	**310**	**10,167**
Additions	7	107	279	393
Disposal of subsidiaries and joint ventures	(301)	(412)	(4)	(717)
Disposals	(1)	(9)	—	(10)
Reclassifications and transfers	—	186	(186)	—
Exchange differences	(23)	(78)	(9)	(110)
At 31 December 2009	**189**	**9,144**	**390**	**9,723**

	Land and buildings	Plant, machinery and equipment	Assets in course of construction	Total
		In millions of pounds		
Accumulated depreciation and impairment				
At 1 January 2007	**107**	**1,045**	**—**	**1,152**
Depreciation charge for the year	16	210	—	226
Disposals	(6)	(12)	—	(18)
Exchange differences	12	65	—	77
At 31 December 2007	**129**	**1,308**	**—**	**1,437**
Depreciation charge for the year	14	286	—	300
Impairment	—	37	—	37
Disposals	—	(23)	—	(23)
Exchange differences	39	342	—	381
At 31 December 2008	**182**	**1,950**	**—**	**2,132**
Depreciation charge for the year	11	337	—	348
Disposal of subsidiaries and joint ventures	(132)	(240)	—	(372)
Disposals	(1)	(8)	—	(9)
Exchange differences	(9)	30	—	21
At 31 December 2009	**51**	**2,069**	**—**	**2,120**
Carrying amount				
At 31 December 2007	**265**	**5,704**	**203**	**6,172**
At 31 December 2008	**325**	**7,400**	**310**	**8,035**
At 31 December 2009	**138**	**7,075**	**390**	**7,603**

At the end of 2008 the Group carried out a review of the recoverable amount of its Milford plant following its long-term power purchase agreement coming to an end and changes in prices in the forward capacity and energy markets. This resulted in an impairment of £37 million. A pre-tax risk adjusted discount rate of 15% was used for the calculation.

The total value of land, included within land and buildings, that is not depreciated is £55 million (2008: £69 million; 2007: £53 million).

In 2009, 2008 and 2007 reclassifications and transfers consist of amounts moved from assets in course of construction to plant, machinery and equipment and to finance lease receivables and inventories.

11.2 Pledged and mortgaged assets

Property, plant and equipment with a carrying amount of £6,396 million (2008: £7,470 million; 2007: £5,713 million) is subject to fixed and floating charges from banks providing borrowing facilities which are non-recourse to the Company.

Property, plant and equipment with a carrying amount of £1 million (2008: £1 million; 2007: £1 million) is subject to finance lease arrangements.

11.3 Capital commitments

Capital commitments, contracted but not provided as at 31 December 2009 amount to £323 million (2008: £581 million; 2007: £94 million).

11.4 Other information

Interest capitalised in the year was £8 million (2008: £7 million; 2007: £5 million), at an average capitalisation rate of 6%. On a cumulative basis, after taking into account exchange differences and depreciation, the carrying amount of interest capitalised is £87 million (2008: £84 million; 2007: £68 million).

NOTE 12 – Investments in associates

Summarised financial information in respect of the Group's associates is set out below:

Associates' net assets (including goodwill)

	2009	2008	2007
	In millions of pounds		
Non-current assets	8,087	8,359	5,691
Current assets	1,719	2,176	1,241
Total assets	**9,806**	**10,535**	**6,932**
Current liabilities	(1,344)	(1,761)	(665)
Non-current liabilities	(6,081)	(6,800)	(4,451)
Total liabilities	**(7,425)**	**(8,561)**	**(5,116)**
Net assets	**2,381**	**1,974**	**1,816**
Group's share of associates' net assets	**896**	**785**	**645**

Results of associates

	2009	2008	2007
	In millions of pounds		
Total results of associates			
Revenue	3,209	3,006	2,451
Profit for the year	486	411	367
Group's share of results of associates			
Share of revenue	1,053	999	808
Share of profit for the year	176	148	117

At 31 December 2009 the Group's investments that are listed on a recognised stock market are those in The Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO). HUBCO and KAPCO are considered associates and International Power continues to apply the equity method of accounting to HUBCO despite its shareholding being less than 20% (refer to note 1.3.2.3). The Group's share of HUBCO and KAPCO was valued at £46 million (2008: £25 million; 2007: £50 million) and £107 million (2008: £88 million; 2007: £125 million), respectively, on the major Pakistan stock markets. Market values for Group shareholdings in these investments were above the carrying value of these investments at 31 December 2009.

Included within the Group's share of net assets of associates is net debt of £1,338 million (2008: £1,664 million; 2007: £1,105 million). These obligations are generally secured by the assets of the respective associate borrower and are not guaranteed by International Power plc or any other Group company.

A full list of significant associates is included in note 28.2.

NOTE 13 – Investments in joint ventures

Summarised financial information in respect of the Group's joint ventures is set out below:

Joint ventures' net assets (including goodwill)

	2009	*2008*	*2007*
		In millions of pounds	
Non-current assets	1,676	1,991	1,363
Current assets	322	567	366
Total assets	**1,998**	**2,558**	**1,729**
Current liabilities	(224)	(343)	(204)
Non-current liabilities	(1,164)	(1,165)	(759)
Total liabilities	**(1,388)**	**(1,508)**	**(963)**
Net assets	**610**	**1,050**	**766**
Group's share of joint ventures' net assets	**308**	**526**	**368**

Results of joint ventures

	2009	*2008*	*2007*
		In millions of pounds	
Total results of joint ventures			
Revenue	767	799	789
Profit for the year	144	122	136
Group's share of results of joint ventures			
Share of revenue	384	407	378
Share of profit for the year	81	60	65

A full list of significant joint ventures is included on note 28.3.

NOTE 14 – Financial instruments

14.1 Financial assets

The Group's financial assets are broken down into the following categories:

	31 December 2009			31 December 2008			31 December 2007		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*	*Non-current*	*Current*	*Total*
				In millions of pounds					
Available-for-sale securities	63	—	63	47	—	47	13	—	13
Loans and receivables carried at amortised cost	2,175	735	2,910	2,379	879	3,258	1,692	731	2,423
Loans and receivables carried at amortised cost (excluding trade and other receivables)	*2,060*	*57*	*2,117*	*2,244*	*72*	*2,316*	*1,595*	*51*	*1,646*
Trade and other receivables, net	*—*	*678*	*678*	*—*	*807*	*807*	*—*	*680*	*680*
Other assets	*115*	*—*	*115*	*135*	*—*	*135*	*97*	*—*	*97*
Financial assets at fair value through income	—	442	442	30	477	507	47	223	270
Derivative instruments	*—*	*442*	*442*	*30*	*477*	*507*	*47*	*223*	*270*
Cash and cash equivalents	—	1,251	1,251	—	1,241	1,241	—	1,234	1,234
Total	2,238	2,428	4,666	2,456	2,597	5,053	1,752	2,188	3,940

14.1.1 Available-for-sale investments

Carrying amount

	£m
At 1 January 2007	**26**
Provisions	(9)
Disposals	(2)
Repayments	(1)
Exchange differences	(1)
At 31 December, 2007	**13**
Additions	34
Repayments	(2)
Exchange differences	2
At 31 December 2008	**47**
Additions	29
Repayments	(14)
Impairment	(25)
Reclassification	30
Exchange differences	(4)
At 31 December 2009	**63**

Other investments comprise investments 'available-for-sale' including both debt and equity instruments in a number of businesses related to power generation. The debt instruments are stated at fair value based on an estimate of their discounted cash flows. The equity instruments are not quoted but are shares in privately owned companies. There is no market for these investments. Therefore the fair value of the equity instruments cannot be measured reliably and the carrying amount has been determined by using the cost of acquiring the shares in these companies. During the year ended 31 December 2009 available-for-sale investments have been impaired by £25 million (refer to note 5.2). The reclassification during 2009 comprises a transfer from derivative financial assets, following the exercise of an option.

On 30 June 2007 the Group made a full provision against its investment in BioX (refer to note 5.2). The investment substantially ceased trading during 2008.

It is not currently the intention of the Company to dispose of these investments, although circumstances may change.

14.1.2. Loans and receivables at amortised cost

	31 December 2009			*31 December 2008*			*31 December 2007*		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*	*Non-current*	*Current*	*Total*
				In millions of pounds					
Loans and receivables carried at amortised cost (excluding trade and other receivables)	2,060	57	2,117	2,244	72	2,316	1,595	51	1,646
Loans granted to affiliated companies	*347*	—	*347*	*383*	—	*383*	*243*	—	*243*
Amounts receivable under service concessions (note 19.1)	*1,398*	*47*	*1,445*	*1,497*	*62*	*1,559*	*1,082*	*44*	*1,126*
Amounts receivable under finance leases (note 19.2)	*315*	*10*	*325*	*364*	*10*	*374*	*270*	*7*	*277*
Trade and other receivables, net	—	678	678	—	807	807	—	680	680
Other assets	115	—	115	135	—	135	97	—	97
Other receivables	*115*	—	*115*	*135*	—	*135*	*97*	—	*97*
Total	**2,175**	**735**	**2,910**	**2,379**	**879**	**3,258**	**1,692**	**731**	**2,423**

14.1.2.1 Trade and other receivables

	2009	*2008*	*2007*
		In millions of pounds	
Trade receivables	286	346	265
Other receivables	193	290	220
Accrued income	285	310	196
Prepayments	100	106	87
Total trade and other receivables	**864**	**1,052**	**768**

Included in trade and other receivables are non-financial assets of £186 million (2008: £245 million; 2007: £88 million).

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair value.

Financial assets included in trade receivables, other receivables and accrued income are analysed as follows:

	31 December 2009				*31 December 2008*				*31 December 2007*			
	Retail	*Corporate*	*Government*	*Total*	*Retail*	*Corporate*	*Government*	*Total*	*Retail*	*Corporate*	*Government*	*Total*
						In millions of pounds						
Not overdue	34	475	100	609	45	594	85	724	48	406	180	634
Up to 1 month past due	8	1	22	31	7	1	9	17	4	—	5	9
Between 1 and 3 months past due	5	6	9	20	5	2	24	31	2	—	2	4
Between 3 and 6 months past due	2	1	—	3	2	—	—	2	4	—	—	4
More than 6 months past due	5	8	2	15	4	27	2	33	—	29	—	29
Total	**54**	**491**	**133**	**678**	**63**	**624**	**120**	**807**	**58**	**435**	**187**	**680**

Retail energy sales are those to residential, commercial, and industrial customers to cover end-use purposes. This mostly comprises sales to customers of Simply Energy in South Australia and Victoria in Australia. Corporate energy sales are principally to merchant trading counterparties in the wholesale power market and comprise electricity utility companies, who require energy to meet retail sales requirements, and market makers such as large investment banks. In the preceding table, the term ‘Government‘ is used to describe customers who are either owned directly by government or the state, or are institutions backed by guarantees from government. Sales to these customers are typically administered under long-term power purchase agreements. Examples of such customers will include water and electricity authorities located in Asia, the Middle East and Europe.

The majority of the trade receivables, which are not overdue, relate to merchant trading counterparties for whom the Group holds collateral in the form of parent company guarantees, letters of credit and cash held as security. Corporate receivables more than six months overdue relate to contractual disputes where the Group has significant counter claims or offsetting liabilities.

Trade receivables of £2 million were written off in 2009, which had previously been provided for, relating to retail energy sales (2008: £3 million was written off directly relating to commodity receivables from Lehman Brothers). Management maintain a bad debt provision appropriate to the limited likelihood of retail, merchant and PPA payment defaults.

Total trade and other receivables are stated net of the following provisions for irrecoverable amounts.

	2009	*2008*	*2007*
	In millions of pounds		
At 1 January	24	23	23
Amounts provided for during the year	3	4	—
Amounts recovered during the year	—	(3)	—
Amounts written off during the year	(2)	—	—
Disposal of subsidiary	(1)	—	—
Exchange differences	(1)	—	—
At 31 December	**23**	**24**	**23**

Concentrations of credit risk relating to the Group’s wholesale power sales are limited due to the diversity of unrelated customers for the Group’s power plants located worldwide. For the Group’s retail business in Australia, Simply Energy, concentration of credit risk is limited due to the customer base being both large and unrelated. PPAs and tolling agreements with major institutions can potentially have high concentration risk but this risk is mitigated by the diversity of similar arrangements within the Group’s worldwide portfolio.

14.1.3. Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

	2009	*2008*	*2007*
	In millions of pounds		
Cash at bank	671	848	696
Short-term deposits	580	393	538
Cash and cash equivalents in the statement of cash flows	**1,251**	**1,241**	**1,234**

The total cash and cash equivalents balance includes £457 million (2008: £476 million; 2007: £399 million) of cash which is considered to be ‘restricted’ as it is primarily to fund maintenance and debt service reserves required by project finance agreements, and for letters of credit. Cash equivalents include an amount of £43 million (2008: £154 million; 2007: £189 million) held by counterparties which could be made available to the Group by utilising the Group’s undrawn letter of credit facilities (refer to note 15.10).

14.2 Financial liabilities

Financial liabilities are recognised in:

"Other liabilities carried at amortised cost" (borrowings and debt, trade and other payables and provisions);

"Financial liabilities at fair value through income or equity" (derivative instruments).

The Group's financial liabilities are classified under the following categories:

	31 December 2009			*31 December 2008*			*31 December 2007*		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*	*Non-current*	*Current*	*Total*
	In millions of pounds								
Borrowings and debt	5,991	857	6,848	7,474	569	8,043	5,549	650	6,199
Derivative instruments	321	440	761	560	552	1,112	641	510	1,151
Trade and other payables (refer to note 14.2.3)	—	702	702	—	743	743	—	529	529
Provisions	20	15	35	21	27	48	40	23	63
Total	**6,332**	**2,014**	**8,346**	**8,055**	**1,891**	**9,946**	**6,230**	**1,712**	**7,942**

14.2.1. Borrowings and debt

An analysis of the interest-bearing loans and bonds, which are measured at amortised cost, is as follows:

	31 December 2009		*31 December 2008*		*31 December 2007*	
	Face value	*Carrying amount*	*Face value*	*Carrying amount*	*Face value*	*Carrying amount*
	In millions of pounds					
Secured borrowings and debt						
Current liabilities						
Secured bank loans and other loans[(1)]	625	672	442	517	386	454
Secured bonds[(1)]	18	18	17	17	12	12
	643	**690**	**459**	**534**	**398**	**466**
Non-current liabilities						
Secured bank loans and other loans[(1)]	4,494	4,444	5,648	5,574	4,429	4,390
Secured bonds[(1)]	651	693	691	738	634	682
	5,145	**5,137**	**6,339**	**6,312**	**5,063**	**5,072**
Total secured borrowings and debt	**5,788**	**5,827**	**6,798**	**6,846**	**5,461**	**5,538**

	31 December 2009		31 December 2008		31 December 2007	
	Face value	*Carrying amount*	*Face value*	*Carrying amount*	*Face value*	*Carrying amount*
	In millions of pounds					
Unsecured borrowings and debt						
Current liabilities						
Unsecured bank loans and other loans.........	25	29	29	32	8	9
Loans from minority interests(2)	—	—	3	3	24	24
Preferred equity facility(4)...................	—	—	—	—	151	151
3.75% Convertible US Dollar Bonds 2023(3)	141	138	—	—	—	—
	166	**167**	**32**	**35**	**183**	**184**
Non-current liabilities						
Unsecured bank loans and other loans.........	24	24	179	178	132	131
Loans from minority interests(2)	123	123	84	84	91	91
3.75% Convertible US Dollar Bonds 2023(3)	—	—	159	149	127	115
3.25% Convertible Euro Bonds 2013(5)...........	204	181	222	191	169	140
4.75% Convertible Euro Bonds 2015(6)...........	621	526	677	560	—	—
	972	**854**	**1,321**	**1,162**	**519**	**477**
Total unsecured borrowings and debt ..	**1,138**	**1,021**	**1,353**	**1,197**	**702**	**661**
Total interest-bearing borrowings and debt						
Current liabilities...........	809	857	491	569	581	650
Non-current liabilities ...	6,117	5,991	7,660	7,474	5,582	5,549
Total interest-bearing borrowings and debt ..	**6,926**	**6,848**	**8,151**	**8,043**	**6,163**	**6,199**

A description of the items in the above table is shown overleaf.

(1) Secured interest-bearing loans and bonds

Secured bank loans comprise amounts borrowed from commercial banks. Secured bonds comprise those relating to the financing of First Hydro and the Levanto wind farm portfolio.

The bank loans and bonds with a carrying amount of £5,827 million (2008: £6,846 million; 2007: £5,538 million) are secured by fixed and floating charges over the assets of certain subsidiaries. With the exception of the Convertible Bonds, which are recourse, substantially all of the Group's power stations, generating assets and other operating assets are financed under facilities which are non-recourse to International Power plc and secured solely on the assets of the subsidiary concerned.

The Group had no significant borrowings in default as at 31 December 2009 or 31 December 2008. Although not in default of principal or interest payment terms, at 31 December 2007 the Group had borrowings of £62 million in technical default which could have allowed the lender to demand accelerated repayment of the loan. At 31 December 2007 the loan was classified as a current liability in the consolidated statement of financial position. The technical defaults were cured during the first quarter of 2008.

(2) Loans from minority interests

Loans from minority interests comprise both term loans and working capital facilities provided by minority shareholders in subsidiaries. These loans and working capital facilities are provided on an unsecured basis for various maturity periods and have interest terms based on fixed or floating rates as specified in each individual agreement.

(3) 3.75% Convertible US Dollar Bonds 2023

On 22 August 2003, International Power (Jersey) Limited, a wholly owned subsidiary company incorporated in Jersey, issued US$252.5 million 3.75% Convertible Bonds due 2023, convertible into preference shares of International Power (Jersey) Limited at the holder's option, immediately exchangeable for Ordinary Shares of, and unconditionally guaranteed by, International Power plc.

The bonds are convertible into Ordinary Shares of International Power plc at a conversion price of 154p at any time up to 12 August 2023. Each US$1,000 principal amount of bonds will entitle the holder to convert into a US$1,000 paid-up value of preference shares of International Power (Jersey) Limited. Upon a change of control the bonds may be redeemed at the holder's option at their principal amount, together with accrued interest, to the date fixed for redemption.

During 2008, 3.75% Convertible US Dollar Bonds 2023 with a par value of £12 million (US$24 million) were redeemed through the issue of preference shares in International Power (Jersey) Limited and the subsequent issue of Ordinary Shares in International Power plc.

The convertible bonds mature in August 2023 but with bondholders having the right to put the bond back to the Group in August 2010, 2013 and 2018.

If the conversion option is not exercised, the convertible unsecured bonds will be redeemed on 22 August 2023 at a redemption price equivalent to their principal amount.

The net proceeds received from the issue of the convertible bond have been split between a debt element and an embedded derivative component. The embedded derivative component represents the fair value of the equity conversion call option held by the bondholders. The remaining debt element of the convertible bond accretes to par value over the life of the bond at a constant periodic rate based on its carrying amount.

The interest charged for the year is calculated by applying an effective interest rate of 7.4%. This includes a coupon interest rate of 3.75% per annum.

The Directors estimate the fair value of the liability component of the 3.75% Convertible US Dollar Bonds 2023 at 31 December 2009 to be approximately £142 million (2008: £146 million; 2007: £122 million). This fair value has been determined by reference to the market price.

(4) Preferred equity facility

The preferred equity facility comprised US$300 million in preference shares which were issued by Impala Magpie Limited to Mitsui Power Ventures Limited for the purposes of financing the acquisition of the EME portfolio which was completed in December 2004.

Impala Magpie Limited is a 70% owned subsidiary of International Power plc and Mitsui Power Ventures Limited is a wholly-owned subsidiary of Mitsui & Co of Japan. Mitsui Power Ventures Limited is International Power's partner in IPM Eagle LLP, which is the owner of assets formerly owned by Edison Mission Energy, and IPM (UK) Power Holdings Limited, which is the owner of certain UK generating assets.

The preference shares entitled the holder to a preferred dividend coupon of US dollar LIBOR plus 2%. The preference shares were redeemed in September 2008.

(5) 3.25% Convertible Euro Bonds 2013

On 20 July 2006, International Power Finance (Jersey) II Limited, a wholly owned subsidiary company incorporated in Jersey, issued €230 million 3.25% Convertible Bonds due 2013, convertible into preference shares of International Power Finance (Jersey) II Limited at the holder's option, immediately exchangeable for Ordinary Shares of, and unconditionally guaranteed by, International Power plc.

The bonds are convertible into Ordinary Shares of International Power plc at a conversion price of 352p at any time up to 20 July 2013. Each €50,000 principal amount of bonds will entitle the holder to convert into a €50,000 paid-up value of preference shares of International Power Finance (Jersey) II Limited. Upon a change of control the bonds may be redeemed at the holder's option at their principal amount, together with accrued interest, to the date fixed for redemption.

If the conversion option is not exercised, the convertible unsecured bonds will be redeemed on 20 July 2013 at a redemption price equivalent to their principal amount.

The net proceeds received from the issue of the convertible bond have been split between a debt element and an embedded derivative component. This embedded derivative component represents the fair value of the equity conversion call option held by the bondholders.

The interest charged for the year is calculated by applying an effective interest rate of 6.6%. This includes a coupon interest rate of 3.25% per annum.

The Directors estimate the fair value of the liability component of the 3.25% Convertible Euro Bonds 2013 at 31 December 2009 to be approximately £185 million (2008: £147 million; 2007: £137 million). This fair value has been determined by reference to the market price.

(6) 4.75% Convertible Euro Bonds 2015

On 5 June 2008, International Power Finance (Jersey) III Limited, a wholly owned subsidiary company incorporated in Jersey, issued €700 million 4.75% Convertible Bonds due 2015, convertible into preference shares of International Power Finance (Jersey) III Limited at the holder's option, immediately exchangeable for Ordinary Shares of, and unconditionally guaranteed by, International Power plc.

The bonds are convertible into Ordinary Shares of International Power plc at a conversion price of 548p with effect from 16 July 2008 up to 26 May 2015. Each €50,000 principal amount of bonds will entitle the holder to convert into a €50,000 paid-up value of preference shares of International Power Finance (Jersey) III Limited. Upon a change of control the bonds may be redeemed at the holder's option at their principal amount, together with accrued interest, to the date fixed for redemption. If the conversion option is not exercised, the convertible unsecured bonds will be redeemed on 5 June 2015 at a redemption price equivalent to their principal amount.

The net proceeds received from the issue of the convertible bonds have been split between a debt component and an embedded derivative component. This embedded derivative component represents the fair value of the equity conversion call option held by the bondholders.

The interest charged during the year comprises two components: a coupon of 4.75% and accretion on the debt component set out above. The overall effective interest rate is 8.4%. The Directors estimate the fair value of the liability component of the 4.75% Convertible Euro Bonds 2015 at 31 December 2009 to be approximately £580 million (2008: £400 million). This fair value has been determined by reference to the market price.

14.2.2. Derivative instruments

The carrying amount of derivative financial instruments at the reporting date and whether these derivatives are designated in a formal hedging relationship is analysed as follows:

	31 December 2009		*31 December 2008*		*31 December 2007*	
	Assets	*Liabilities*	*Assets*	*Liabilities*	*Assets*	*Liabilities*
			In millions of pounds			
Cash flow hedges						
Energy derivatives	—	—	—	—	8	81
Interest rate swaps	—	141	—	233	26	24
	—	141	—	233	34	105
Not designated in a qualifying hedge relationship						
Energy derivatives	441	393	475	747	200	653
Interest rate swaps	—	26	—	39	6	9
Other derivatives	1	201	32	93	30	384
	442	620	507	879	236	1,046
Total	**442**	**761**	**507**	**1,112**	**270**	**1,151**
Analysed as:						
Current	442	440	477	552	223	510
Non-current	—	321	30	560	47	641
	442	**761**	**507**	**1,112**	**270**	**1,151**

On 1 January 2008 the Group revoked the designation of its cash flow hedges relating to sales of power and purchases of fuel. For existing cash flow hedges at that time, the cumulative gain or loss on the hedging instrument from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs (or is no longer expected to occur). Fair value gains and losses after the date of de-designation as cash flow hedges are recorded in the income statement.

14.2.3. Trade and other payables

	2009	*2008*	*2007*
		In millions of pounds	
Trade payables	143	233	219
Other payables	74	56	56
Accruals	485	454	254
Deferred income	47	24	36
Total	**749**	**767**	**565**

Included in trade and other payables are non-financial liabilities of £47 million (2008: £24 million; 2007: £36 million). The Directors consider the carrying amounts of trade and other payables approximate to their fair value. All trade and other payables above are expected to fall due within one year.

14.3 Net debt

	31 December 2009			31 December 2008			31 December 2007		
	Non-current	*Current*	*Total*	*Non-current*	*Current*	*Total*	*Non-current*	*Current*	*Total*
				In millions of pounds					
Outstanding borrowings and debt	6,117	809	6,926	7,660	491	8,151	5,582	581	6,163
Impact of measurement at amortised cost	(126)	48	(78)	(186)	78	(108)	(33)	69	36
Borrowings and debt	**5,991**	**857**	**6,848**	**7,474**	**569**	**8,043**	**5,549**	**650**	**6,199**
Derivative instruments hedging borrowings under liabilities[(1)]	83	84	167	188	84	272	24	9	33
Gross debt	**6,074**	**941**	**7,015**	**7,662**	**653**	**8,315**	**5,573**	**659**	**6,232**
Cash and cash equivalents	—	(1,251)	(1,251)	—	(1,241)	(1,241)	—	(1,234)	(1,234)
Derivative instruments hedging borrowings under assets[(1)]	—	—	—	—	—	—	(17)	(15)	(32)
Net cash	**—**	**(1,251)**	**(1,251)**	**—**	**(1,241)**	**(1,241)**	**(17)**	**(1,249)**	**(1,266)**
Net debt	**6,074**	**(310)**	**5,764**	**7,662**	**(588)**	**7,074**	**5,556**	**(590)**	**4,966**
Outstanding borrowings and debt	6,117	809	6,926	7,660	491	8,151	5,582	581	6,163
Cash and cash equivalents	—	(1,251)	(1,251)	—	(1,241)	(1,241)	—	(1,234)	(1,234)
Net debt excluding the impact of derivative instruments and amortised cost	**6,117**	**(442)**	**5,675**	**7,660**	**(750)**	**6,910**	**5,582**	**(653)**	**4,929**

(1) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges (see Note 14.2.2).

NOTE 15 – Financial instruments

15.1 Carrying amounts and fair values of financial assets and liabilities

Set out below is a comparison by category of the carrying amounts and fair values of all the Group's financial assets and liabilities:

	31 December 2009		*31 December 2008*		*31 December 2007*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
			In millions of pounds			
Financial assets						
Cash and cash equivalents	1,251	1,251	1,241	1,241	1,234	1,234
Available-for-sale:						
Other investments(1)	63	63	47	47	13	13
Loans and receivables:						
Loans granted to affiliated companies	347	368	383	393	243	259
Service concession receivables(2)	1,445	1,454	1,559	1,513	1,126	1,068
Finance lease receivables(2)	325	385	374	426	277	277
Other long-term receivables	115	115	135	135	97	97
Trade receivables, other receivables and accrued income(3)	678	678	807	807	680	680
At fair value through profit or loss:						
Derivative financial assets not designated in a cash flow hedge relationship(4)	442	442	507	507	236	236
Designated cash flow hedge relationships:						
Derivative financial assets designated and effective as cash flow hedging instruments(4)	—	—	—	—	34	34
Total financial assets	4,666	4,756	5,053	5,069	3,940	3,898

	31 December 2009		31 December 2008		31 December 2007	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
	In millions of pounds					
Financial liabilities						
Financial liabilities at amortised cost:						
Trade payables, other payables and accruals (current)[5]	702	702	743	743	529	529
Secured bank loans and other loans[6]	5,116	5,070	6,091	5,986	4,844	4,778
Unsecured bank loans and other loans[6]	53	53	210	210	140	140
Secured bonds[6]	711	709	755	638	694	749
Preferred equity facility	—	—	—	—	151	151
Convertible Bonds[6]	845	907	900	693	255	259
Loans from minority interests[6]	123	123	87	87	115	115
Provisions[7]	35	35	48	48	63	63
At fair value through profit or loss:						
Derivative financial liabilities not designated in a cash flow hedge relationship[4]	620	620	879	879	1,046	1,046
Designated cash flow hedge relationships:						
Derivative financial liabilities designated and effective as cash flow hedging instruments[4]	141	141	233	233	105	105
Total financial liabilities	8,346	8,360	9,946	9,517	7,942	7,935

The Group has no financial assets or financial liabilities which have been designated at fair value through profit or loss at initial recognition.

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

(1) Other investments are discussed in note 14.1.1.

(2) The fair value of service concession receivables, finance lease receivables and other long-term receivables have been calculated by discounting estimated future cash flows. Discount rates in the range of 6% to 12% (2008: 6% to 12%; 2007: 4% to 11%) have been applied.

(3) Due to their short maturities, the fair values of trade receivables, other receivables and accrued income have been stated at their carrying amounts.

(4) Fair values of derivative financial instruments are discussed in note 15.2 which follows.

(5) Due to their short maturities, the fair values of trade payables, other payables and accruals have been stated at their carrying amounts.

(6) The fair values of all bank loans, bonds, Convertible Bonds, the preferred equity facility and loans from minority interests have been calculated using market prices where available or the present value of estimated future cash flows. Discount rates in the range of 4% to 8% (2008: 5% to 15%; 2007: 4% to 15%) have been applied.

(7) Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Consequently the carrying amount has been presented as fair value. Discount rates in the range of 5% to 9% (2008: 5% to 9%; 2007 5% to 6%) have been applied.

15.2 Derivatives and fair value hierarchy

The Group's policy is to hedge various exposures.

Energy price risk: The Group uses commodity contracts to fix the prices it achieves for the electrical output from its power stations and the cost of fuel inputs to its power stations. In the presentation which follows, the Group categorises the financial products and commodity contracts used for this purpose, which are classified as derivatives, under the heading 'Energy derivatives'.

Interest rate risk: Principally the Group uses pay-fixed, receive-variable interest rate swaps. The Group also uses options and forward rate agreements. For the purposes of the presentation which follows, the Group categorises these derivative financial instruments under the heading 'Interest rate swaps'.

Foreign currency risk: For structural and transactional currency exposures and currency exposures on future expected sales the Group uses forward foreign currency contracts, currency options and swaps. For the purposes of the presentation which follows, the Group categorises these derivative financial instruments under the heading 'Other derivatives'. This category also encompasses options over equity. The Group owns purchased call options over the equity of various energy related businesses. The Group already has an equity interest in some of these businesses. The Group has Convertible Bonds which can convert into Ordinary Shares of International Power plc. The conversion features in these Convertible Bonds are accounted for as embedded derivatives (refer to note 14.2.1).

IFRS 7 requires the classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the assessments. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following financial instruments are required to be measured at fair value:

Energy derivatives

Energy derivatives are measured by reference to forward price curves using discounted cash flows and other similar quantification techniques. A forward price curve represents the Group's view as to the prices at which customers would currently contract for delivery or settlement of commodities at future dates. Generally, the forward price curve is derived from observable prices in an active market over the near term and from valuation techniques beyond the near term.

For example, assumptions which underpin the price curve for power beyond the period where there are observable market prices relate to the price of commodities such as oil, the cost of constructing and financing the building of new power plants, and the prices at which it would be economic for companies to enter the market and build additional capacity ('new entrant pricing').

Typically, observable market data for forward power prices is available in the US and the UK for two years. This is also true for Australia but due to uncertainties surrounding the potential impact of the proposed Carbon Pollution Reduction Scheme from July 2011, the level of liquidity for periods after the proposed implementation date are lower.

Non-market observable inputs are typically defined as price forecasts for a particular commodity, which are derived from the Group's in-house modelling. Non-market observable inputs are not published and often form part of a valuation technique when a forward curve is deemed illiquid. A number of modelling techniques exist to generate these forecasts, but a standard approach that the Group follows for valuing forward power sales is to look at the economics of a new entrant power plant. Assumptions are also made in relation to the impacts of environmental legislation. When a new entrant is believed to be required in a particular market, the long-term power price assumed will cover the new entrant's cost and target return. That is, power prices reflect the new entrant cost level from this particular point.

Energy derivative financial instruments relating to power and fuel are designated either Level 2 or Level 3 depending on the extent to which the lowest level input is significant to the fair measurement in its entirety. Energy derivative contracts relating to carbon are designated Level 1 because the value of all such derivatives are valued using a price curve which reflects actual and regularly occurring market transactions on an arm's length basis.

In calculating their fair values, discount rates in the range of 5% to 9% (2008: 6% to 9%; 2007: 7% to 10%) have been applied.

Interest rate swaps

Interest rate swaps are measured by reference to both third party bank confirmations and discounted cash flows using the yield curves and spot rates in effect at the end of the reporting period. For interest rate swaps all forward rates are deemed to be from observable markets and are designated Level 2. In calculating their fair values, discount rates in the range of 1% to 6% (2008: 2% to 5%; 2007: 2% to 5%) have been applied.

Other derivatives

The fair value of the Group's foreign currency derivative financial instruments is designated Level 1. As at 31 December 2009, the total notional value of these contracts was £102 million (2008: £63 million; 2007: £15 million) and the mark-to-market was £nil (2008: £nil; 2007: £nil).

Equity conversion options have also been measured by reference to third party bank confirmations and through calculations using market rates in effect at the end of the reporting period and accordingly are designated Level 2.

Available-for-sale investments

These investments principally comprise minority shareholdings held in privately owned unquoted companies where there is no active market available to value them. Where the fair value of the equity instruments cannot be reliably measured, the fair value is recorded at cost.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the value is observable:

				31 December 2009
	Level 1	*Level 2*	*Level 3*	*Total*
		In millions of pounds		
Derivative financial assets				
Energy derivatives	—	382	59	441
Other derivatives	1	—	—	1
	1	**382**	**59**	**442**
Derivative financial liabilities				
Energy derivatives	(19)	(140)	(234)	(393)
Interest rate swaps	—	(167)	—	(167)
Other derivatives	(1)	(200)	—	(201)
	(20)	**(507)**	**(234)**	**(761)**
Net derivative financial liabilities	**(19)**	**(125)**	**(175)**	**(319)**

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2009.

The following table provides details of the carrying amounts of the Level 3 net derivative financial liabilities and their movements during the year:

	Energy derivatives
	In millions of pounds
At 1 January 2009	(288)
Gains recognised in the income statement	22
Mark-to-market on commodity contracts	145
Cash flow	(19)
Exchange differences	(35)
At 31 December 2009	**(175)**

There were no movements in other comprehensive income during the period relating to Level 3 financial instruments.

There were no transfers in or out of Level 3 during the year ended 31 December 2009. All gains and losses for the year, included above, relate to energy derivatives held at the end of the reporting period.

Significant assumptions used in determining the fair value of Level 3 financial assets and liabilities and sensitivity analysis.

Energy derivatives

Short-term assumptions are typically based on existing or substantively enacted legislation, whilst the long-term assumptions are typically based on the Group's view as to market developments. The assumptions used during the application of valuation techniques will directly impact the shape of the forward price curve, which could be significant, for example, increases in the assumed cost of construction or the assumed long-term cost of oil in the determination of new entrant pricing. The forward price curves are underpinned by many assumptions, and are only estimates of future prices. Therefore they possess inherent uncertainty and subjectivity.

Most of the Group's energy derivatives settle within the period covered by an active market and hence variations in long-term price assumptions have a limited impact on its derivative valuations. The Group has one long-term derivative contract for power, which was acquired with the Loy Yang B plant in Australia. The contract is open until 2016 and represents a significant proportion of the total Level 3 derivative financial liability carrying amount.

A 10% change in the assumed construction costs, applied in the determination of new entrant pricing, would affect the value of this derivative by £11 million.

The following table shows the carrying amounts of assets/(liabilities), net gains and losses, cash flows and other movements relating to the Group's derivative financial instruments and where the movements in the income statement are recorded.

	31 December 2009				*31 December 2008*				*31 December 2007*			
	Energy derivatives	*Interest rate swaps*	*Other derivatives*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Other derivatives*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Other derivatives*	*Total*
	In millions of pounds											
At 1 January	(272)	(272)	(61)	(605)	(526)	(1)	(354)	(881)	(121)	(1)	(273)	(395)
Mark-to-market on commodity contracts	311	—	—	311	172	—	—	172	(326)	—	—	(326)
Financial (loss)/gain	—	7	(109)	(102)	—	(31)	389	358	—	(3)	(81)	(84)
Other movements in the income statement	2	—	—	2	(3)	2	—	(1)	24	5	—	29
Movement in other comprehensive income	17	75	—	92	71	(198)	—	(127)	(85)	(8)	—	(93)
Acquisition of subsidiaries and joint ventures	—	(3)	—	(3)	6	(1)	—	5	40	4	—	44
Disposal of subsidiaries and joint ventures	—	4	—	4	—	—	—	—	(20)	—	—	(20)
Cash flow	34	—	—	34	37	—	(96)	(59)	(8)	—	—	(8)
Reclassifications	—	—	(30)	(30)	—	—	—	—	—	—	—	—
Exchange differences	(44)	22	—	(22)	(29)	(43)	—	(72)	(30)	2	—	(28)
At 31 December	**48**	**(167)**	**(200)**	**(319)**	**(272)**	**(272)**	**(61)**	**(605)**	**(526)**	**(1)**	**(354)**	**(881)**

'Other movements in the income statement' include mark-to-market movements on proprietary trading activities.

15.3 Cash flow hedging reserve movements

The following table identifies the movements in the cash flow hedging reserve during the year, including margins where gains and losses have been recognised in the income statement.

	31 December 2009			*31 December 2008*			*31 December 2007*		
	Energy derivatives	*Interest rate swaps*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Total*
				In millions of pounds					
At 1 January	(12)	(364)	(376)	(56)	(28)	(84)	3	3	6
Gains/(losses) recognised in the hedging reserve during the year	(7)	76	69	44	(274)	(230)	(120)	(34)	(154)
Amount removed from hedging reserve and included within the income statement during the year due to settlement of contracts, recognised in:									
Revenue	29	—	29	7	—	7	103	—	103
Share in net income of associates	—	23	23	—	9	9	—	2	2
Net financial loss	—	82	82	—	(5)	(5)	—	(5)	(5)
Income tax expense	(8)	(25)	(33)	(2)	4	2	(29)	2	(27)
Minority interests	(2)	(8)	(10)	(1)	2	1	(8)	1	(7)
Transferred to initial carrying amount of hedged item	—	11	11	—	—	—	—	—	—
Ineffectiveness recognised in profit or loss	—	—	—	—	—	—	1	—	1
Disposal of subsidiary	—	3	3	—	—	—	—	—	—
Exchange differences	—	26	26	(4)	(72)	(76)	(6)	3	(3)
At 31 December	**—**	**(176)**	**(176)**	**(12)**	**(364)**	**(376)**	**(56)**	**(28)**	**(84)**

The cash flow hedging reserve balance and the periods in which the cash flows are expected to occur are as follows:

	31 December 2009			*31 December 2008*			*31 December 2007*		
	Energy derivatives	*Interest rate swaps*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Total*	*Energy derivatives*	*Interest rate swaps*	*Total*
				In millions of pounds					
Cash flows expected in:									
Less than 12 months	—	(79)	(79)	(10)	(83)	(93)	(42)	(2)	(44)
1-2 years	—	(46)	(46)	(2)	(72)	(74)	(11)	(12)	(23)
2-5 years	—	(46)	(46)	—	(94)	(94)	(3)	(11)	(14)
More than 5 years	—	(5)	(5)	—	(115)	(115)	—	(3)	(3)
Unrecognised losses at 31 December	**—**	**(176)**	**(176)**	**(12)**	**(364)**	**(376)**	**(56)**	**(28)**	**(84)**

The amounts shown in the preceding table are expected to affect profit or loss in the same period as the cash flows.

15.4 Hedge of a net investment

An economic net investment exposure arises from foreign currency movements when the functional currency of a subsidiary differs from the parent's. Changes in exchange rates between the functional currency of the net investment and that of its parent will cause the amount of the net investment to vary.

In the absence of hedge accounting, foreign exchange gains and losses on retranslating the net assets of a foreign operation would be taken to reserves, whilst those on the loan would be recognised in the income statement. This creates a mismatch in foreign currency translation. When net investment hedging is applied, this mismatch is eliminated.

The Group, as part of its hedging strategy, has therefore chosen to borrow some debt denominated in foreign currencies in order to hedge the net investments in certain foreign operations within its portfolio. As the hedging instruments are foreign currency borrowings rather than derivatives, no fair values for these instruments are included within the fair value of derivatives disclosed in the statement of financial position.

Hedge of net investment in overseas operations

The Group has loans denominated in foreign currencies that have been designated as hedges of the net investment in foreign operations in Europe and Australia. The carrying amount of these non-derivative financial liabilities, used as hedging instruments, at the end of the reporting period was:

	2009	*2008*	*2007*
		In millions of pounds	
Euro	727	773	165
Australian dollar	41	38	38
	768	**811**	**203**

The foreign exchange gain of £58 million (2008: loss of £155 million; 2007: loss of £17 million refer to note 16.2) on retranslation of these loans has been recognised in other comprehensive income on consolidation (refer to note 16.2).

15.5 Capital management, risk identification and risk management

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives and this is consistent with the management of capital for previous periods.

The Group has various borrowings and available facilities that contain certain external capital requirements ('covenants') that are considered normal for these types of arrangements. At corporate level, the Group remains comfortably within all the covenants in relation to the US$780 million revolving credit facility. A limited number of subsidiary companies have received waivers from the relevant lenders to ensure compliance with specific technical covenants.

The nature of the Group's business model is to regularly invest in growth projects, which are funded via internal cash flow, debt/equity raising or disposals and can give rise to changes to the Group's capital structure. As an example, in November 2009 the disposal of the Group's Czech business resulted in a net cash inflow, net of cash and cash equivalents disposed of (relating to subsidiaries and proportionate share of joint ventures), to the Group of £492 million. Identification of total funding and phasing is achieved via a detailed cash flow forecast which is reviewed and updated on a monthly basis.

The capital structure of the Group is presented in the statement of financial position. Note 16.1 provides details on equity, note 14.2 on loans and bonds and note 15.10 on borrowing facilities. Short and medium-term funding requirements are provided by a variety of loan facilities with a range of counterparties and maturities. Longer term funding or funding for a particularly large transaction may be sourced from a combination of these facilities and suitable long-term instruments, such as bonds, or by raising additional equity.

There is a continuous process for identifying, evaluating and managing the key risks faced by the Group. Activities are co-ordinated by the Risk Committee, which is chaired by the Chief Financial Officer. It has responsibility, on behalf of the Board, for ensuring the adequacy of systems for identifying and assessing significant risks, that appropriate control systems and other mitigating actions are in place, and that residual exposures are consistent with the Group's strategy and objectives. Assessments are conducted for all material entities.

The Group owns power plants in various locations around the world including merchant markets in the US, Australia and Europe. Plant ownership in the merchant markets expose the Group to highly volatile and unpredictable commodity prices (including those relating to power and gas) and trading and risk management teams exist in each region to manage the exposure by trading a range of products including physical and financial forwards and futures. A Global Commodities Risk Committee together with the regional risk management teams are responsible for ensuring an adequate risk framework is in place in each region. Local risk committees operate in each region and they are responsible for ensuring that the risk framework is applied and that they manage their respective positions in compliance with these Board approved limits.

Treasury policy seeks to ensure that adequate financial resources are available for the management and development of the Group's business whilst managing its market risks and credit risks. The Group's treasury policy is not to engage in speculative transactions. Group treasury acts within clearly defined guidelines that are approved by the Board.

Project development activities can, on occasion, require credit support in the normal course of business. This is provided by established funding facilities or via additional bilateral facilities with related project banks. At the individual business level the Group finances its projects with non-recourse debt in order to insulate the Group from adverse events at the project level, limiting the Group's collateral exposure to a given project to the loss of the equity in that project.

Credit exposure to trading and financial counterparties is managed within clearly defined limits, policies and procedures. Financial counterparty risk is restricted to arrangements with relationship banks, money market funds and commercial paper with investment grade ratings. In addition to credit assessments from rating agencies, the Group utilises local market knowledge, credit default swap pricing and independent financial reviews to monitor counterparty credit risk and, if considered necessary, takes proactive measures to reduce credit exposure in specific situations. All credit exposures are monitored daily by local regional management and reported to senior management on a monthly basis.

15.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to changes in commodity prices in the merchant markets in which it operates, interest rates, and foreign currency exchange rates. A significant number of the Group's projects operate without power purchase agreements and are, therefore, vulnerable to market forces which determine the price and amounts of power sold and fuel purchased. In particular, the majority of the Group's plants in the UK (within the Group's Europe region), North America, and Australia, operate on a merchant basis.

15.6.1. Energy trading and market risk

The Group hedges exposures that arise from the ownership and operation of power plants and related sales/purchases of electricity and fuel by using derivatives to optimise the return achieved from these assets. The Group uses commodity derivative financial instruments to convert floating or indexed electricity and fuel prices to fixed prices. This lessens the Group's vulnerability to movements in prices for the electricity it generates and for the fuel it consumes in its power plants. Commodity derivative financial instruments also provide a way to meet customers' pricing requirements while achieving a price structure consistent with the Group's overall pricing strategy.

The Group's trading operations are carried out subject to global and local policies and procedures. A similar structure is in place in each region covering monetary, volumetric and term limits. Metrics and limits applied to the trading books include Value-at-Risk (VaR), stop/loss, credit, fuel mismatch, term, volume, approved traders and approved products. Position reports are produced on a regular basis for both the trading and plant books.

As the Group no longer applies cash flow hedge accounting to its power and fuel derivative contracts, all fair value gains and losses are recorded in the income statement. The Group's coal purchase contracts are typically treated as own use because they are both entered into and continue to be held for the purpose of the Group's electricity production requirements and they are not net settled.

Sensitivity analysis

As stated earlier, when hedging the output of the Group's generation assets it is the Group's policy to both forward sell the power and forward buy the corresponding fuel contemporaneously in order to lock in the 'spread'. The spread is the difference between the cost of fuel to generate a unit of electricity and the price at which that unit of electricity is sold. Spreads are usually expressed in terms of price per MWh. When gas is used as fuel the difference is called 'spark spread' and when coal is used as the fuel it is called 'dark spread'.

From a management perspective, once the spread relating to the future output from a generation asset is forward contracted, the asset is considered hedged. To the extent that future output has not been forward contracted in this manner it is considered unhedged. Management review on an ongoing basis the extent to which generation output is unhedged.

However, in accordance with the requirements of IFRS 7 (Financial Instruments: Disclosures) the following sensitivity analysis shows the impact on the Group's results of changes in market prices as a result of entering into financial instruments including derivatives. Specifically, this sensitivity shows the impact on the Group's results arising from changes in the fair value of forward contracts which are entered into to hedge the future output of the Group's generation assets following a change in forward market prices.

The table below shows the impact on equity and profits of a 20% increase in the forward curves for both electricity sales prices and gas purchase prices as if they had occurred on 31 December 2009. This could be viewed as the opportunity cost of the Group's forward contracting if prices had changed in this manner.

The movement of forward price curves by 20% is believed to be a reasonable approximation of how much markets can move, on average, over any given year. In some years markets will be less volatile and in other years they may be more volatile. No sensitivity is applied to coal purchase prices given that such contracts are typically treated as own use.

The following assumptions have been applied in the performance of these sensitivities:

- At 31 December 2009, the Group had no energy-related cash flow hedges and therefore all fair value gains and losses would be recorded in the income statement;
- Commodity contracts that qualify for own use treatment continue to do so, and thus this sensitivity has no impact for these contracts. These typically include coal purchase contracts.

The results are presented net of deferred tax but before minority interests, and in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2009 +/-	*Impact on total equity at 31 December 2009 +/-*	*Impact on profit for the year ended 31 December 2008 +/-*	*Impact on total equity at 31 December 2008 +/-*	*Impact on profit for the year ended 31 December 2007 +/-*	*Impact on total equity at 31 December 2007 +/-*
			In millions of pounds			
20% increase in forward price curves for electricity	(220)	(234)	(259)	(283)	296	357
20% increase in forward price curves for gas...	(29)	(27)	(53)	(48)	52	52

Because the Group hedges the spark spread, i.e. the sales price of electricity and the cost of gas contemporaneously, there is little net impact on the fair value of the Group's derivative contracts to changes in the forward price curves to sell electricity and to purchase gas. However, for the dark spread, where the cost of coal is contracted in advance but is accounted for as own use, only the electricity sales contracts are exposed to fair value gains and losses arising from changes in the forward curves because these are considered commodity derivative financial instruments. This mismatch in accounting treatment predominantly gives rise to the significant net impact on profit and equity arising from increases in forward prices for electricity. Therefore, from an accounting perspective, forward contracting of dark spread at coal plants potentially gives rise to more volatility in earnings. However, to the extent that fair value gains and losses are recorded in any period ultimately they will reverse by the time of delivery.

It should be noted that changes in the fair value of energy derivatives, which are entered into for economic hedging purposes are recorded in the line item 'Mark-to-market on commodity contracts' in the consolidated income statement and therefore the fair value gains and losses have no impact on current operating income.

To the extent that the Group's power plants are not already contracted, and spreads increase, it is likely that the future profitability of the Group's coal plants would also improve, because they would contract into the higher dark spreads.

It also means that if plants are unavailable at the point in time at which power should be delivered under the contract, the mark-to-market position represents the anticipated net cost of purchasing power and selling fuel in the markets to fulfil the contractual obligations and in that instance the unrealised fair value gains and losses would become realised.

15.6.2. Interest rate risk

Variability in interest payments can introduce volatility into project returns and corporate funding costs. The Group mitigates this risk by fixing borrowing rates, principally by using forward rate or interest rate swap agreements. A limited number of the Group's PPAs also have interest rate pass through mechanisms. Significant interest rate management programmes and instruments require the specific approval of the Board.

The Group's policy is to fix interest rates for up to 75% of its debt portfolio over the medium to long-term. At individual project company level, it is usually a condition of the non-recourse debt funding that project companies maintain a certain minimum level of fixed rate debt, typically 70%. This complements the Group's policy. The overall level of the Group's fixed rate debt is monitored and reported to senior management on a monthly basis.

A forward rate agreement is a contract in which one party pays a fixed interest rate and receives a floating interest rate equal to a reference rate specified at the time of entering into the contract. The payments are calculated over a notional amount over a certain period with the differential being settled at the termination date. An interest rate swap is an agreement between two parties to exchange pre-determined interest payments, based on a notional principal amount, over an agreed period of time.

At 31 December 2009, including the impact of 'receive variable: pay fixed' interest rate swaps, £4,950 million or 73% (2008: £5,853 million or 74%; 2007: £3,813 million or 61%) of total debt had fixed interest rates. In 2009 the weighted average interest rate of fixed rate debt, taking into account the effect of 'receive variable: pay fixed' interest rate swaps on floating rate debt, was 7% (2008: 7%; 2007: 7%). The effect of the Group's interest rate swaps effectively replaced £985 million (2008: £893 million; 2007: £856 million) of floating rate Australian dollar borrowings, £1,052 million (2008: £1,471 million; 2007: £863 million) of floating rate US dollar borrowings, £300 million (2008: £334 million; 2007: £297 million) of floating rate sterling borrowings and £794 million (2008: £799 million; 2007: £334 million) of floating rate euro borrowings with fixed rate borrowings. At 31 December 2008 £108 million (2007: £83 million) of floating rate Czech koruna borrowings were also effectively replaced with fixed rate borrowings.

The floating rate financial liabilities comprise bank borrowings bearing interest rates fixed in advance for various time periods up to 12 months by reference to official market rates e.g. LIBOR.

When the Group uses project finance in companies with power purchase agreements, the Group's policy is to align the maturity of the debt with the contractual terms of the power purchase agreement.

Sensitivity analysis

The Group accounts for certain interest rate swaps as cash flow hedges where the forecast transaction is considered highly probable and the hedge is assessed as effective.

The sensitivity analysis below shows the impact of a 100 basis point parallel increase in the interest rate yield curve as if it had occurred at the end of the reporting period.

The following assumptions have been applied in the performance of this sensitivity:

- The impact of this sensitivity has only been recorded for changes in the fair value of derivative financial instruments, which have their fair value gains and losses recorded within the financial statements as the Group does not designate any other financial asset at fair value through profit or loss and these are the only significant financial instruments whose carrying amounts change as a result of changes in interest rates. All other financial instruments are carried at amortised cost and hence no adjustment has been applied;
- No impact is recorded from changes in interest rates on employee benefits (including pensions), provisions and other financial assets and liabilities;

- All qualifying cash flow hedges at 31 December would continue to be fully effective in achieving cash flow hedge accounting;
- Fair value gains and losses on interest rate swaps which do not qualify for hedge accounting as at 31 December are reflected solely in the income statement.

The results are presented net of deferred tax but before minority interests and, in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2009 +/-	*Impact on total equity at 31 December 2009 +/-*	*Impact on profit for the year ended 31 December 2008 +/-*	*Impact on total equity at 31 December 2008 +/-*	*Impact on profit for the year ended 31 December 2007 +/-*	*Impact on total equity at 31 December 2007 +/-*
			In millions of pounds			
Increase in yield curve by 100 basis point parallel shift..............	6	76	6	109	12	55

A second sensitivity analysis calculates the impact on profitability of a 100 basis point increase in interest rates on unhedged interest-bearing loans and bonds, i.e. those which are subject to a floating rate of interest, i.e. where there is no 'receive variable: pay fixed' interest rate swap, and on cash balances on which variable rates of interest are earned. The calculation is performed as follows. The year end cash balance is deducted from the year end unhedged floating rate loans and bonds. The net borrowing is multiplied by 1%. At 31 December 2009 the result of this second sensitivity equated to £1 million before tax (2008: £5 million; 2007: £7 million).

15.6.3. Foreign currency risk

International Power operates worldwide which exposes it to foreign currency exchange risks. These relate to translation, transaction and economic risks.

Treasury policy is to hedge a reasonable proportion of the Group's translation exposures by borrowing in the same currency as the underlying investment. Any residual translation exposure will result in fluctuating sterling profits and asset and liability movements in the statement of financial position which are not related to underlying business performance. In countries with historically weak currencies the Group aims to have PPA tariffs denominated in a major international currency. This protects future returns from large and rapid devaluations. Group translation exposure is monitored and reported to senior management on a monthly basis.

For the purposes of preparing the consolidated financial statements, the income statement results of the Group's foreign operations are translated into sterling at the average exchange rates for the period concerned. The net assets of foreign operations are translated into sterling at the closing exchange rates.

Currency translation exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved, other than borrowings treated as hedges of net investments in foreign operations.

In order to hedge the net assets of foreign operations, borrowings are generally in the same currency as the underlying investment. The Group aims to hedge a reasonable proportion of its non-sterling assets in this way. It is not the Group's policy to hedge currency translation through foreign exchange contracts or currency swaps.

Currency transaction exposure arises where a business unit makes sales and purchases in a currency other than its functional currency. The Group utilises these exposures, where possible, to hedge existing transaction exposures on sales and purchases through matching. In line with Group policy any remaining transaction exposures are hedged as soon as they are committed, by using foreign currency contracts and similar instruments. Transaction exposure also arises on the remittance of dividends or surplus funds from overseas. All external currency instruments used to manage transaction exposure are transacted by Group treasury or under the guidance of Group treasury. Identification of potential transaction exposures is achieved via a detailed cash flow forecast by local currency which is reviewed and updated on a monthly basis.

As noted in 15.2, to hedge the Group's foreign exchange risks for transactional currency exposures and currency exposures on future expected sales the Group uses both non-derivative financial instruments, such as foreign currency borrowings, and derivative financial instruments, such as forward foreign currency contracts, currency options and swaps. When the Group uses derivative financial instruments to hedge its exposures to foreign currency risk, the Group may choose to account for these as either fair value hedges or cash flow hedges if they meet the hedge accounting criteria set out in IAS 39.

Sensitivity analysis

The following sensitivity analysis shows the impact of currency translation exposures arising from monetary assets and liabilities of the Group that are not denominated in the functional currencies of International Power plc, its subsidiaries or joint ventures. It shows the impact on the Group's consolidated income statement by changing the year end exchange rate of sterling against all other currencies. To the extent that there are monetary assets and liabilities denominated in sterling in subsidiaries or joint ventures with non-sterling functional currencies, the impact of a change in the year end exchange rate is determined. To the extent that there are monetary assets and liabilities denominated in non-sterling currencies in International Power plc, its subsidiaries or joint ventures with sterling functional currencies, the impact of a change in year end exchange rate is determined.

The following assumptions have been applied in the performance of this sensitivity:

- The results of foreign exchange gains and losses on the retranslation of foreign currency denominated loans, that are treated as net investment hedges, are not recognised within the impact on the Group income statement, as these foreign exchange gains and losses are recorded within other comprehensive income and accumulated in the translation reserve;
- The exposure on translating the financial statements of subsidiaries, and joint ventures on a proportionate consolidation basis, into the sterling presentation currency of the consolidated financial statements are not included in the sensitivity analysis.

The results are presented before tax and minority interests and, in accordance with the requirements of IFRS 7, exclude the impact at associates.

	Impact on profit for the year ended 31 December 2009 +/-	*Impact on profit for the year ended 31 December 2008 +/-*	*Impact on profit for the year ended 31 December 2007 +/-*
		In millions of pounds	
10% strengthening of sterling	59	28	39
10% weakening of sterling	(66)	(32)	(49)

15.7 Credit risk

The Group is exposed to credit-related losses in the event that counterparties to traded contracts and financial instruments do not perform according to the terms of the contract or instrument.

The Group's policy is to manage its credit exposure to trading and financial counterparties within clearly defined limits. Energy trading activities are strictly monitored and controlled through delegated authorities and procedures, which include specific criteria for the management of counterparty credit exposures in each of the Group's key regions. Counterparty exposure via customer power purchase agreements (agreements to sell power) is monitored and managed by the local asset team with assistance from Group treasury where appropriate. The impact of an individual PPA default is minimised by the geographical diversity and large number of projects in which the Group is involved. In addition, the non-recourse nature of the funding arrangements, which limits the Group's exposure to its equity commitment in a project, also provides limited credit exposure to the Group.

For the majority of the Group's commodity trading arrangements the Group has master netting agreements which establish legally enforceable rights of set-off that reduce the credit exposure of the Group in the event of counterparty default. Where possible, the Group will also enter into ISDA (International Swaps and Derivatives Association) master agreements to mitigate its credit exposure to financial instruments.

In the normal course of business there may be occasions when the Group has a significant concentration of credit risk with one financial counterparty. This can arise due to the counterparty's role as transaction bank (including settlement risk for major transactions), debt service account bank and cash collateralised facility bank or a combination thereof.

Group treasury manages the Group-wide counterparty credit exposure on a consolidated basis for trading and financial counterparties, with the active and close involvement of the global risk manager. Financial counterparty credit exposure is limited to relationship banks, money market funds and commercial paper with strong investment grade credit ratings.

With regard to financial instruments subject to credit risk, International Power selects counterparties with appropriate ratings for the size, type and duration of the instrument involved. A small proportion of counterparties trading energy are below investment grade. For those energy market transactions with counterparties below investment grade, and which are not supported by appropriate collateral, reserves are carried against the trading risk. Exposures within this band are restricted and closely monitored within narrow limits.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty. The Group considers its maximum exposure to credit risk to be:

	31 December 2009	*31 December 2008*	*31 December 2007*
	In millions of pounds		
Cash and cash equivalents[1]	1,251	1,241	1,234
Available-for-sale financial assets	63	47	13
Loans and receivables (refer to note 14.1)[2] [3]	2,910	3,258	2,423
Financial assets at fair value through profit or loss – derivative financial assets[4]	442	507	236
Designated cash flow hedge relationships – derivative financial assets[4]	—	—	34
Total financial assets	**4,666**	**5,053**	**3,940**

(1) The majority of cash balances and short-term deposits are held with strong investment grade banks or financial institutions.

(2) Finance lease and service concession receivables are with strong investment grade counterparties including the Portuguese and German governments.

(3) A significant proportion of trade receivables, other receivables and accrued income relate to merchant trading counterparties for whom the Group holds collateral in the form of parent company guarantees, letters of credit and cash held as security.

(4) The Group holds collateral of £287 million at 31 December 2009 (2008: £179 million; 2007: £79 million) as security for the above derivative financial assets. Collateral held as security includes parent company guarantees (of appropriate credit worthiness), letters of credit issued by investment grade banks and cash margining as set out in the following table:

	31 December 2009	*31 December 2008*	*31 December 2007*
	In millions of pounds		
Parent company guarantee	186	116	31
Letters of credit	—	1	—
Cash margining	101	62	48
	287	**179**	**79**

The Group also holds additional collateral from counterparties, which only becomes enforceable if existing exposures increase or additional trading with that counterparty is contracted. This additional undrawn collateral totals £221 million at 31 December 2009 (2008: £209 million; 2007: £180 million) and is in the form of letters of credit and parent company guarantees.

During 2009, 2008 and 2007 the Group has not needed to take possession of collateral available to us in order to settle any outstanding debts owed to us.

If the Group was to take possession of collateral or to call on other credit enhancements (e.g. guarantees), and the assets held as security were not readily convertible into cash, the Group would regularly update its estimates of value and develop a realistic plan for monetisation. The Group would defend rigorously its right to recoup any outstanding amounts from arrangements which ultimately do not fully settle a liability.

A limited number of counterparties have experienced a deterioration in their credit quality. Where appropriate, the Group has reduced trading limits or ceased additional trading with such entities. Financial liquidity in all international markets continues to impact financial volatility and credit quality of counterparties. The Group utilises local market knowledge, credit default swap pricing and independent financial reviews to identify significant changes to the financial profile of its counterparties.

As at 31 December 2009, 31 December 2008 and 31 December 2007 there were no significant financial guarantees or third party obligations that increase the credit risk of the Group's financial assets.

15.8 Liquidity risk

Liquidity risk is the risk the Group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. Reporting entities are responsible for managing their own liquidity. The Group's treasury function is responsible for managing corporate liquidity. The Group's approach to managing liquidity is to ensure that it has sufficient headroom under both normal and abnormal conditions. It manages this through the use of regularly updated cash flow forecasts and a financial headroom analysis which is used to determine funding requirements for a rolling five year period, which is reported to senior management on a monthly basis.

15.9 Contractual cash flows

The following table is an analysis of the contractual undiscounted cash flows relating to financial liabilities at the end of the reporting period and a reconciliation from total undiscounted cash flows to carrying amounts:

								31 December 2009
	Due within 1 year	*Due between 1 and 2 years*	*Due between 2 and 5 years*	*Due after 5 years*	*Total undiscounted cash flows*	*Impact of other non-cash items*	*Impact of interest coupons/ discounting*	*Carrying amount*
				In millions of pounds				
Non-derivative financial liabilities								
Loans and bonds (see below)	997	656	3,480	3,904	9,037	(70)	(2,119)	6,848
Other financial liabilities	717	3	—	87	807	—	(70)	737
Derivative financial liabilities								
Net payments								
– Energy derivatives	176	41	142	90	449	—	(56)	393
– Interest rate swaps	86	41	40	6	173	—	(6)	167
– Other derivatives	1	—	—	—	1	200	—	201
Total financial liabilities	**1,977**	**741**	**3,662**	**4,087**	**10,467**	**130**	**(2,251)**	**8,346**

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest coupons/ discounting	31 December 2008 Carrying amount
				In millions of pounds				
Non-derivative financial liabilities								
Loans and bonds (see below)	1,009	1,690	3,649	4,510	10,858	(92)	(2,723)	8,043
Other financial liabilities	765	5	1	40	811	—	(20)	791
Derivative financial liabilities								
Net payments								
– Energy derivatives	359	157	218	192	926	—	(179)	747
– Interest rate swaps	87	76	77	51	291	—	(19)	272
– Other derivatives	2	—	—	—	2	91	—	93
Total financial liabilities	**2,222**	**1,928**	**3,945**	**4,793**	**12,888**	**(1)**	**(2,941)**	**9,946**

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years	Total undiscounted cash flows	Impact of other non-cash items	Impact of interest coupons/ discounting	31 December 2007 Carrying amount
				In millions of pounds				
Non-derivative financial liabilities								
Loans and bonds (see below)	957	736	3,155	3,697	8,545	(55)	(2,291)	6,199
Other financial liabilities	545	12	5	59	621	—	(29)	592
Derivative financial liabilities								
Net payments								
– Energy derivatives	388	145	129	249	911	—	(177)	734
– Interest rate swaps	10	15	8	2	35	—	(2)	33
– Other derivatives	—	—	—	—	—	384	—	384
Total financial liabilities	**1,900**	**908**	**3,297**	**4,007**	**10,112**	**329**	**(2,499)**	**7,942**

Other non-cash items represent debt issue costs. The above tables assume the Convertible Bonds are redeemed by the payment of cash at maturity.

The net payments relating to interest rate swaps have been calculated based on the yield curves as at 31 December 2009, 31 December 2008 and 31 December 2007. Net payments under interest rate swaps represent the projected net settlement amounts under the swaps. The variable interest payments, of the loans to which the swaps relate, are included in the maturity of borrowings table which follows.

The above tables do not include forecast data for liabilities which may be incurred in the future which are not contracted at the end of the financial year.

Refer to notes 11.3, 20.1 and 29 for a breakdown of the Group's commitments and to note 25.2 for a summary of the Group's bonds and guarantees.

The disclosure of derivatives in the consolidated statement of financial position has been made in line with management's view of the Group's operating cycle. This has the effect of presenting certain energy derivative cash flows net of discounting, shown above as due after more than one year, in 'current liabilities' in the statement of financial position.

Maturity of borrowings

The following table is an analysis of the contractual undiscounted cash flows, including interest coupons, relating to loans and bonds and a reconciliation from total undiscounted cash flows to carrying amounts:

								31 December 2009
	Due within 1 year	*Due between 1 and 2 years*	*Due between 2 and 5 years*	*Due after 5 years*	*Total undiscounted cash flows*	*Impact of other non-cash items*	*Impact of interest coupons/ discounting*	*Carrying amount*
				In millions of pounds				
Secured bank loans and other loans	860	535	2,822	2,181	6,398	(61)	(1,221)	5,116
Unsecured bank loans and other loans	30	9	13	4	56	—	(3)	53
Secured bonds	68	65	195	894	1,222	—	(511)	711
Loans from minority interests	5	5	129	—	139	—	(16)	123
3.75% Convertible US Dollar Bonds 2023	3	5	16	189	213	—	(75)	138
3.25% Convertible Euro Bonds 2013	4	7	217	—	228	(2)	(45)	181
4.75% Convertible Euro Bonds 2015	27	30	88	636	781	(7)	(248)	526
	997	**656**	**3,480**	**3,904**	**9,037**	**(70)**	**(2,119)**	**6,848**

								31 December 2008
	Due within 1 year	*Due between 1 and 2 years*	*Due between 2 and 5 years*	*Due after 5 years*	*Total undiscounted cash flows*	*Impact of other non-cash items*	*Impact of interest coupons/ discounting*	*Carrying amount*
				In millions of pounds				
Secured bank loans and other loans	843	1,535	2,838	2,589	7,805	(80)	(1,634)	6,091
Unsecured bank loans and other loans	42	34	155	7	238	(1)	(27)	210
Secured bonds	69	69	202	969	1,309	—	(554)	755
Loans from minority interests	10	7	96	1	114	—	(27)	87
3.75% Convertible US Dollar Bonds 2023	6	6	18	218	248	(1)	(98)	149
3.25% Convertible Euro Bonds 2013	7	7	244	—	258	(2)	(65)	191
4.75% Convertible Euro Bonds 2015	32	32	96	726	886	(8)	(318)	560
	1,009	**1,690**	**3,649**	**4,510**	**10,858**	**(92)**	**(2,723)**	**8,043**

								31 December 2007
	Due within 1 year	*Due between 1 and 2 years*	*Due between 2 and 5 years*	*Due after 5 years*	*Total undiscounted cash flows*	*Impact of other non-cash items*	*Impact of interest coupons/ discounting*	*Carrying amount*
				In millions of pounds				
Secured bank loans and other loans	646	636	2,651	2,350	6,283	(49)	(1,390)	4,844
Unsecured bank loans and other loans	16	12	143	2	173	(1)	(32)	140
Secured bonds	73	61	180	995	1,309	(2)	(613)	694
Loans from minority interests	41	17	150	—	208	—	(93)	115
Preferred equity facility	167	—	—	—	167	—	(16)	151
3.75% Convertible US Dollar Bonds 2023	6	5	14	178	203	(1)	(87)	115
3.25% Convertible Euro Bonds 2013	8	5	17	172	202	(2)	(60)	140
	957	**736**	**3,155**	**3,697**	**8,545**	**(55)**	**(2,291)**	**6,199**

15.10 Borrowing facilities

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2009 in respect of which all conditions precedent have been met amount to £1,332 million (2008: £1,373 million; 2007: £824 million). This table exclude loan facilities which have been fully drawn and £226 million of letters of credit in issue at 31 December 2009 (2008: £252 million; 2007: £350 million).

Committed facilities

			31 December 2009			*31 December 2008*			*31 December 2007*		
	Currency	*Expiry*	*Facility*	*Undrawn*	*Available*	*Facility*	*Undrawn*	*Available*	*Facility*	*Undrawn*	*Available*
			In millions of pounds								
Corporate:											
Corporate revolving credit facility[1]	USD	October 2012	483	483	483	591	482	482	427	425	425
IPM (UK) Power credit support facility[2]	GBP	June 2012	300	235	235	300	219	219	250	187	187
Corporate letter of credit facilities[3]	Various	Various	154	139	139	—	—	—	—	—	—
Subsidiaries:											
Rugeley Power working capital and credit support facility	GBP	July 2014	195	101	101	195	92	92	195	97	32
Rugeley Power FGD construction facility	GBP	July 2014	132	—	—	145	13	13	145	57	9
IPA Central revolving and letter of credit facility[4]	USD	July 2015	67	46	46	75	28	28	—	—	—
IPA Trading, LLC revolving and letter of credit facility[4]	USD	October 2010	50	45	45	56	39	39	—	—	—
International Power Opatovice revolving credit facility[5]	CZK	May 2012	—	—	—	36	7	7	138	24	24
ANP Funding 1 working capital and letter of credit facility[6]	USD	July 2010	—	—	—	47	23	23	55	42	42
Other subsidiary and joint venture facilities in various currencies	Various	Various	591	283	283	661	470	470	207	105	105
			1,972	**1,332**	**1,332**	**2,106**	**1,373**	**1,373**	**1,417**	**937**	**824**

(1) There are no drawings on the corporate revolving credit facility (2008: £109 million of letters of credit issued; 2007: £2 million of letters of credit issued).

(2) The IPM (UK) Power facilities include a £200 million (2008: £200 million; 2007: £200 million) letter of credit and parent company guarantee facility and £100 million (2008: £100 million; 2007: £50 million) working capital facility, both from Mitsui & Co, Ltd.

(3) Corporate letter of credit facilities include an undrawn US$200 million cash collateral facility and a £30 million bilateral letter of credit facility from which £15 million was issued at 31 December 2009.

(4) The IPA Central and IPA Trading facilities include a working capital facility with capacity to issue letters of credit. At 31 December 2009 £25 million of letters of credit (2008: £53 million; 2007: £nil) and £1 million of cash (2008: £11 million; 2007: £nil) had been drawn from these facilities.

(5) The International Power Opatovice revolving credit facility was novated to the new owners following the disposal on 13 November 2009.

(6) The ANP Funding facilities were repaid and cancelled on 3 December 2009.

Included in cash and cash equivalents are £43 million (2008: £154 million; 2007: £189 million) of margin deposits placed with trading counter-parties which could be made available to the Group by utilising the Group's undrawn letter of credit facilities. At 31 December 2009, letter of credit facilities of £256 million (2008: £729 million; 2007: £670 million) were available to support these trading activities and margin deposit requirements and is included in the total undrawn and available facilities above (refer to note 14.1.3).

Uncommitted facilities

Uncommitted facilities include bank borrowing and letter of credit facilities which are normally reaffirmed by banks annually, although theoretically they may be withdrawn at any time.

These facilities include the following:

	31 December 2009			31 December 2008			31 December 2007		
	Facility	*Undrawn*	*Available*	*Facility*	*Undrawn*	*Available*	*Facility*	*Undrawn*	*Available*
	In millions of pounds								
Corporate:									
Corporate borrowing and overdraft facilities	57	57	57	61	61	61	50	50	50
Corporate letter of credit facilities	129	73	73	23	23	23	39	39	39
Subsidiaries:									
Subsidiary working capital and letter of credit facilities	18	16	15	43	40	40	5	2	2
	204	**146**	**145**	**127**	**124**	**124**	**94**	**91**	**91**

Uncommitted facilities of £204 million (2008: £127 million; 2007: £94 million) include an undrawn and available cash element of £57 million (2008: £61 million; 2007: £52 million). Also included are £88 million (2008: £63 million; 2007: £39 million) of available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

NOTE 16 – Equity

16.1 Share capital

	Authorised Ordinary Shares of 50p		*Issued and fully paid Ordinary Shares of 50p*	
	Number	*£m*	*Number*	*£m*
At 1 January 2009	2,266,000,000	1,133	1,518,732,624	759
Issue of shares under Executive Share Option Plan	—	—	236,610	—
Issue of shares under the Sharesave Plan	—	—	1,287,918	1
Issue of shares under Performance Share Plan	—	—	2,110,587	1
Increase in authorised share capital	734,000,000	367	—	—
At 31 December 2009	**3,000,000,000**	**1,500**	**1,522,367,739**	**761**

	Authorised Ordinary Shares of 50p		*Issued and fully paid Ordinary Shares of 50p*	
	Number	*£m*	*Number*	*£m*
At 1 January 2008	2,266,000,000	1,133	1,501,939,513	751
Issue of shares under Executive Share Option Plan	—	—	3,400,824	2
Issue of shares under the Sharesave Plan	—	—	2,551,389	1
Issue of shares under Performance Share Plan	—	—	1,621,671	1
Issue of shares under 3.75% Convertible US Dollar Bonds 2023	—	—	9,219,227	4
At 31 December 2008	**2,266,000,000**	**1,133**	**1,518,732,624**	**759**

	Authorised Ordinary Shares of 50p		*Issued and fully paid Ordinary Shares of 50p*	
	Number	*£m*	*Number*	*£m*
At 1 January 2007	2,266,000,000	1,133	1,492,052,910	746
Issue of shares under Executive Share Option Plan	—	—	7,826,019	4
Issue of shares under the Sharesave Plan	—	—	830,476	—
Issue of shares under Performance Share Plan	—	—	1,230,108	1
At 31 December 2007	**2,266,000,000**	**1,133**	**1,501,939,513**	**751**

Ordinary Shares

Ordinary Shares rank equally between each other with regard to voting rights, the right to receive dividends and also in a distribution of assets on the winding up of the Company. On a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote, and on a poll, every shareholder present in person or proxy has one vote in respect of every share held.

Deferred Shares

The Company has 21 Deferred Shares of 1 penny each in issue. These shares were issued to ensure the demerger of International Power and Innogy in 2000 was effected as efficiently as possible. The holders of Deferred Shares have no rights to receive dividends or to attend or vote at any general meeting.

Unclassified share

Further to the redemption of the Special Share in August 2000, the Company's authorised share capital includes one unclassified share of £1.

Paid-in capital and consolidated reserves

Included within "Paid-in capital and consolidated reserves", as presented in the consolidated statement of changes in shareholders' equity, are share capital, share premium account, capital redemption reserve, capital reserve and the revaluation reserve.

The share capital represents the authorised Ordinary Shares in the Company issued at par which carry a right to participate in the distribution of dividends or capital of the Company.

The Company operates two separate Employee Share Ownership Trusts (ESOTs) in which shares may be held for the purpose of satisfying awards made under the Company's 2002 Performance Share Plan. During the year 2,110,587 shares (2008: 1,621,671 shares; 2007: 1,230,108 shares) were issued and placed into trust. The total cost of the acquisition was £4 million (2008: £6 million; 2007: £1 million). These shares were utilised during the year to satisfy employee share awards. No shares were held by the ESOTs at the end of the current or prior reporting period (2007: 253,990 shares). The market value of shares held in trust at 31 December 2009 and 31 December 2008 was therefore £nil (2007: £1 million).

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The capital redemption reserve was created in March 1995 when the Company purchased and then cancelled approximately 98 million of its Ordinary Shares in conjunction with HM Treasury's sale of its remaining 40% shareholding in the Company. The reserve was subsequently increased in the years ended 31 March 1996, 31 March 2000 and 31 December 2003 when further share purchases were made and these shares were cancelled. The capital redemption reserve is not distributable.

The capital reserve was vested in the Company at 31 March 1990 under the Transfer Scheme whereby the net assets of the Central Electricity Generating Board (CEGB) were divided among the CEGB successor companies. It is not distributable.

The revaluation reserve comprises the deficit arising from the revaluation of certain intangible assets as part of the step acquisition of Simply Energy on 16 August 2007.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and to cumulative gains and losses on hedging instruments that no longer meet the criteria for hedge accounting, until the forecast transaction occurs.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in foreign operations (refer to note 15.4).

Retained earnings represent total income and expense in the current and prior years attributable to equity holders of the parent, less cumulative dividends to shareholders, and other movements relating to, for example, share based payments and transfers from the revaluation reserve.

16.2 Note to the statement of comprehensive income

	2009		2008		2007	
	Before-tax amount	*Tax (expense)/ benefit*	*Before-tax amount*	*Tax (expense)/ benefit*	*Before-tax amount*	*Tax (expense)/ benefit*
			In millions of pounds			
Net gain/(loss) on cash flow hedges						
Gains/(losses) arising during the year	60	8	(281)	34	(222)	53
Less: reclassification adjustments for gains/(losses) included in profit or loss...........................	134	(33)	11	2	100	(27)
Less: adjustments for amounts transferred to initial carrying amount of hedged items	11	—	—	—	—	—
	205	**(25)**	**(270)**	**36**	**(122)**	**26**
Actuarial (losses)/gains on defined benefit plans..........................	**(13)**	**4**	**(75)**	**21**	**7**	**(2)**
Exchange gains/(losses) recognised on net investment hedges......	**58**	**(16)**	**(155)**	**3**	**(17)**	**3**
Exchange (losses)/gains arising on translation of foreign operations .						
Exchange (losses)/gains arising during the year...........................	(233)	34	927	(21)	133	(7)
Less: reclassification adjustments relating to foreign operations disposed of during the year.....................	(94)	—	—	—	—	—
	(327)	**34**	**927**	**(21)**	**133**	**(7)**
Revaluation deficit on step acquisition..........	—	—	—	—	**(12)**	**4**
Movements in other comprehensive income for the year	**(77)**	**(3)**	**427**	**39**	**(11)**	**24**

16.3 Distributions

An interim dividend of 4.25 pence (2008: 3.56 pence; 2007: 2.77 pence) per Ordinary Share, proposed by the Directors, was paid on 29 October 2009. This dividend amounted to £64 million (2008: £54 million; 2007: £42 million).

In respect of the current year, the Directors also propose a final dividend of 8.28 pence (2008: 8.59 pence; 2007: 7.39 pence) per Ordinary Share. This dividend equates to £126 million (2008: £131 million 2007: £112 million) and will be paid on 24 June 2010, subject to approval by shareholders at the Company's Annual General Meeting. This dividend has not been included as a liability at 31 December 2009. There are no tax consequences to the Company arising from these dividends.

NOTE 17 – Provisions

	Pensions	*Leave provisions*	*Site restoration*	*Commodity contracts*	*Other*	*Total*
			In millions of pounds			
At 1 January 2007	15	17	17	133	19	201
Acquisitions	—	—	—	17	10	27
Provisions made during the year	8	3	2	3	13	29
Provisions utilised during the year	(11)	(3)	—	(53)	—	(67)
Actuarial (gains)/losses	(7)	—	—	—	—	(7)
Unwinding discount	—	—	1	—	—	1
Exchange differences	—	2	2	(1)	1	4
At 31 December 2007	**5**	**19**	**22**	**99**	**43**	**188**
Acquisitions	—	—	—	3	—	3
Provisions made during the year	6	7	7	—	10	30
Provisions utilised during the year	(7)	(4)	(1)	(71)	(22)	(105)
Actuarial (gains)/losses	75	—	—	—	—	75
Unwinding discount	—	1	1	—	—	2
Exchange differences	3	2	4	18	5	32
At 31 December 2008	**82**	**25**	**33**	**49**	**36**	**225**
Provisions made during the year	12	6	(6)	—	7	19
Provisions utilised during the year	(13)	(7)	—	(35)	(18)	(73)
Actuarial (gains)/losses	13	—	—	—	—	13
Unwinding discount	—	1	1	—	—	2
Disposal of subsidiary	—	—	—	—	(1)	(1)
Exchange differences	3	3	2	(3)	(1)	4
At 31 December 2009	**97**	**28**	**30**	**11**	**23**	**189**

Analysed as:

	2009	2008	2007
	In millions of pounds		
Current liabilities	23	69	83
Non-current liabilities	166	156	105
Total provisions	**189**	**225**	**188**
Financial liabilities	35	48	63
Non-financial liabilities	154	177	125
Total provisions	**189**	**225**	**188**

17.1 Pensions

See note 18.

17.2 Leave provisions

Leave provisions relate to unutilised annual and long service leave at the end of the reporting period. The annual leave is expected to be taken over the next three years and the long service leave over the next 21 years. The provision is calculated based on total employee cost.

17.3 Site restoration

Site restoration provisions relate to legal obligations to restore land to a certain condition, at certain of the Group's power stations and wind farms, at the end of their useful lives and at its coal mine. Site restoration provisions have been reduced by £6 million during 2009 following changes in accounting estimates.

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at current prices, and discounted using discount rates of 5% to 6%. The timing of these payments is dependent on various factors, such as the estimated lives of the power stations and extraction of coal from the mine, but is anticipated to occur between 2010 and 2047, with the substantial majority of the provisions being utilised from 2028 onwards.

17.4 Commodity contracts

Commodity contracts principally relate to 'out of the money' power sales contracts that were acquired as part of the acquisition of Coleto Creek in 2006 and the portfolio of North American peaking plants in 2008. When the provisions are utilised they are credited to depreciation, amortisation and provisions in the income statement. The provision relating to the North American peaking plants was fully utilised during the year and the remainder of the provision relating to Coleto Creek is expected to be fully utilised in 2010.

17.5 Other

Other provisions mostly comprise legacy pension commitments relating to non-Group members of the Electricity Supply Pension Scheme and onerous property leases. The remaining provisions are not expected to require settlement in the short-term. The Directors are uncertain as to the timing of when these provisions will be utilised. In 2008 other provisions also included amounts provided during the year for payments received and booked as revenue, subsequently against which a claim was made. This provision was reversed during 2009 following a satisfactory resolution to the claim.

NOTE 18 – Post-employment benefits – pensions

18.1 Description of the main pension plans

Group entities operate pension arrangements in order to provide pension benefits to retired employees. Benefits granted have been developed to reflect local practice and may be provided through defined benefit or defined contribution schemes.

The main defined benefit plans are in the UK and Australia:

UK: The majority of pensions for UK employees are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS), which is a defined benefit scheme with assets invested in separate trustee administered funds. The ESPS is divided into sections and the International Power Group of the ESPS was opened to members on 1 April 2002 and employees' past service rights were transferred into the Group later that year.

The majority of employees taken on in First Hydro, as part of the acquisition of the EME portfolio, are members of another section of the ESPS, the First Hydro Group.

Following a strategic review of the Group's exposure to pension risk over the long-term and a period of consultation with employees and their representatives, both the International Power Group of the ESPS and the First Hydro Group of the ESPS in the UK were closed to new members effective from 1 June 2008. Existing members continue to accrue future service benefits under these plans. UK employees hired after 1 June 2008 have been eligible to become members of a defined contribution pension plan.

The liabilities and costs shown in the disclosures for the UK schemes are based on the most recent actuarial valuations at 31 March 2007. The results of these valuations have been updated to 31 December 2009 by independent qualified actuaries to take account of the requirements of IAS 19.

At 31 December 2009, approximately 59% of the pension liability of the First Hydro Group and 89% of the International Power Group of the ESPS related to members in service.

AUSTRALIA: Employees at Hazelwood and Loy Yang B participate in a standard Australian superannuation fund called Equipsuper. This plan provides benefits primarily for employees in the electricity, gas and water industry, and was developed from the scheme sponsored by the State Electricity Commission of Victoria. Employees at Synergen participate in the Electricity Industry Superannuation Scheme.

The liabilities and costs shown in the disclosures for the Australian schemes are based on the most recent actuarial valuations at 30 June 2008 and 1 July 2008 for Equipsuper and the Electricity Industry Superannuation Scheme respectively. The results of these valuations have been updated to 31 December 2009 by independent qualified actuaries to take account of the requirements of IAS 19.

At 31 December 2009, 96% of the pension liability in respect of the Australian schemes related to members in service.

The liabilities and costs for IAS 19 were determined using the projected unit credit method. As set out in note 1.4.13.1, the Group recognises gains and losses immediately through the statement of comprehensive income. Amounts recognised in the statement of comprehensive income in 2009 were losses of £13 million (2008: £75 million; 2007: gain of £7 million).

18.2 Defined benefit plans

18.2.1. Change in projected benefit obligation

Change in projected benefit obligation:

	2009	*2008*	*2007*
	In millions of pounds		
At 1 January	301	269	241
Service cost	11	10	11
Interest cost	15	15	12
Actuarial losses/(gains)	32	2	(3)
Scheme participants' contributions	4	3	3
Benefits paid, net of transfers in	(7)	(10)	(5)
Settlements, curtailments and amendments	2	—	1
Expenses, taxes and premiums paid	(1)	—	—
Exchange differences	17	12	9
At 31 December	**374**	**301**	**269**

Change in fair value of plan assets:

	2009	*2008*	*2007*
	In millions of pounds		
At 1 January	219	264	226
Expected return on assets	16	19	16
Actuarial gains/(losses)	19	(73)	4
Employer contributions	13	7	11
Scheme participants' contributions	4	3	3
Benefits paid, net of transfers in	(7)	(10)	(5)
Expenses, taxes and premiums paid	(1)	—	—
Exchange differences	14	9	9
At 31 December	**277**	**219**	**264**

	31 December 2009			*31 December 2008*			*31 December 2007*			*31 December 2006*			*31 December 2005*		
	UK	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*
	In millions of pounds														
Total market value of assets	157	120	277	128	91	219	155	109	264	135	91	226	114	84	198
Present value of scheme liabilities	(230)	(144)	(374)	(177)	(124)	(301)	(176)	(93)	(269)	(158)	(83)	(241)	(151)	(79)	(230)
(Deficit)/surplus in the scheme	**(73)**	**(24)**	**(97)**	**(49)**	**(33)**	**(82)**	**(21)**	**16**	**(5)**	**(23)**	**8**	**(15)**	**(37)**	**5**	**(32)**

18.2.2. Actuarial gains and losses recognised in other comprehensive income

The amounts recognised in the consolidated statement of comprehensive income were as follows:

	2009	*2008*	*2007*
	In millions of pounds		
Actuarial (gains)/losses on fair value of assets	(19)	73	(4)
Actuarial losses/(gains) on defined benefit obligations	32	2	(3)
Actuarial losses/(gains) recognised in the consolidated statement of comprehensive income	**13**	**75**	**(7)**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

		Impact on scheme liabilities		
	Change in assumption	*2009 Increase effect %*	*2008 Increase effect %*	*2007 Increase effect %*
Assumption				
Discount rate	Decrease by 0.5%	7.8	8.5	7.5
Rate of increase in salaries	Increase by 0.5%	3.1	3.3	3.0
Inflation (UK plans only)	Increase by 0.5%	11.5	11.7	7.4
Rate of mortality (UK plans only)	Life expectancy increases by one year	3.0	3.0	3.0

A history of experience gains and losses is as follows:

	2009	*2008*	*2007*	*2006*	*2005*
Difference between the actual and expected return on schemes' assets:					
Amount (£m)	19	(73)	4	9	16
Percentage of schemes' assets	7%	33%	2%	4%	8%
Experience gains/(losses) on schemes' liabilities*:					
Amount (£m)	4	3	5	(2)	11
Percentage of the present value of schemes' liabilities	1%	1%	2%	1%	5%

* Does not include the effect of changes in assumptions.

The yearly changes in pension liabilities and prepaid costs carried in the consolidated statement of financial position can be broken down as follows:

	Liabilities
	In millions of pounds
Balance at 31 December 2006	(15)
Actuarial gains and losses	7
Period pension cost	(8)
Contributions/benefits paid	11
Balance at 31 December 2007	**(5)**
Exchange rate differences	(3)
Actuarial gains and losses	(75)
Period pension cost	(6)
Contributions/benefits paid	7
Balance at 31 December 2008	**(82)**
Exchange rate differences	(3)
Actuarial gains and losses	(13)
Period pension cost	(12)
Contributions/benefits paid	13
Balance at 31 December 2009	**(97)**

18.2.3. Components of the net periodic pension cost

The amounts recorded in the income statement, in relation to the defined benefit pension plans were as follows:

	2009	*2008*	*2007*
		In millions of pounds	
Current service cost	11	10	11
Past service cost	2	—	1
Expected return on schemes' assets	(16)	(19)	(16)
Interest on schemes' liabilities	15	15	12
Total operating charge	**12**	**6**	**8**

The above charges for current and past service cost were included in personnel costs. Expected return on schemes' assets and interest on schemes' liabilities were included in financial income and financial expenses respectively.

18.2.4. Funding

Assets in the scheme were as follows:

	31 December 2009			*31 December 2008*			*31 December 2007*			*31 December 2006*			*31 December 2005*		
	UK	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*	*UK*	*Australia*	*Total*
								In millions of pounds							
Equities	100	74	174	80	57	137	116	68	184	108	55	163	84	52	136
Bonds	19	16	35	19	16	35	20	18	38	17	15	32	14	17	31
Other	38	30	68	29	18	47	19	23	42	10	21	31	16	15	31
Total market value of assets	**157**	**120**	**277**	**128**	**91**	**219**	**155**	**109**	**264**	**135**	**91**	**226**	**114**	**84**	**198**

Contributions in 2010

The Group expects to make contributions of approximately £15 million to its defined benefit pension arrangements in 2010.

18.2.5. Actuarial assumptions

	31 December 2009		*31 December 2008*		*31 December 2007*		*31 December 2006*		*31 December 2005*	
	UK %	*Australia* %	*UK* %	*Australia* %	*UK* %	*Australia* %	*UK* %	*Australia* %	*UK* %	*Australia* %
Discount rate	5.7	4.8	5.7	3.7	5.8	5.3	5.1	4.9	4.7	4.6
Rate of increase in salaries	5.2	4.0	4.4	4.5	4.9	4.3	4.6	4.3	4.4	4.0
Inflation rate	3.7	3.0	2.9	3.0	3.4	3.0	3.1	3.0	2.9	3.0
Increase to deferred benefits during deferment	3.7	n/a	2.9	n/a	3.4	n/a	3.1	n/a	2.9	n/a
Increases to pensions payments	3.7	n/a	2.9	n/a	3.4	n/a	3.1	n/a	2.9	n/a

The mortality assumptions used have a significant impact on scheme liabilities for the UK plans.

The UK mortality assumptions at 31 December 2009 are based on a standard table derived from 1999-2002 census data. The mortality tables allow for additional longevity improvements reflecting specific trends in the UK population regarding certain age groups. The following table of average life expectancies illustrates the mortality assumptions used:

	2009 UK years	*2008 UK years*	*2007 UK years*	*2006 UK years*	*2005 UK years*
Life expectancy for a member aged 60 at year-end					
Men	26.1	26.0	25.9	22.8	22.8
Women	28.7	28.6	28.5	26.1	26.1
Life expectancy for a member aged 60 in 20 years' time					
Men	27.5	27.4	27.3	23.7	23.7
Women	29.7	29.6	29.5	27.2	27.2

The plans in Australia provide lump sums at retirement and therefore the mortality assumptions are much less important.

The expected long-term rates of return (weighted averages) on the assets in the schemes were as follows:

	31 December 2009		*31 December 2008*		*31 December 2007*		*31 December 2006*		*31 December 2005*	
	UK %	*Australia %*	*UK %*	*Australia %*	*UK %*	*Australia %*	*UK %*	*Australia %*	*UK %*	*Australia %*
Equities	8.0	7.8	7.4	7.8	8.0	7.8	7.5	7.8	7.1	7.5
Bonds	5.1	5.1	5.4	5.1	5.2	5.1	4.7	4.6	4.4	5.0
Other	7.0	6.1	6.7	6.0	6.7	6.0	6.2	5.9	6.0	5.9
Total long-term rate of return expected	**7.4**	**7.0**	**6.9**	**7.0**	**7.5**	**7.0**	**7.1**	**6.7**	**6.6**	**6.7**

The expected rates of return reflect the Group's best estimate of the investment returns that will be earned on each asset class. These returns are based on advice provided by independent qualified actuaries.

The expected rates of return on bonds reflect the plans' mix between index-linked, government and corporate bonds. An equity risk premium is added to long-term government bond yields to give the expected rate of return on equities.

Other assets principally comprise cash, property and hedge funds. The expected return on cash is derived from short-term interest rates and the return on cash instruments. The expected return on other assets such as property is determined by adding an appropriate risk premium to government bonds in the relevant country.

18.3. Defined contribution plans

The charge for 2009 in respect of defined contribution plans was £7 million (2008: £5 million; 2007: £4 million).

NOTE 19 – Service concession receivables and finance lease receivables

19.1 Service concession receivables

An arrangement within the scope of IFRIC Interpretation 12 – Service Concession Arrangements ('IFRIC 12') is one which involves a private sector entity (known as 'an operator') constructing infrastructure used to provide a public service, or upgrading it (for example, by increasing its capacity) and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes. Such an arrangement is often described as a 'build-operate-transfer', a 'rehabilitate-operate-transfer' or a 'public-to-private' service concession arrangement.

International Power has entered into a number of such arrangements across the Group relating to the provision of electrical capacity and output from thermal power plants and wind farms located in Asia, mainland Europe and the Middle East. This infrastructure is contracted under long-term power purchase agreements ('**PPAs**'), which are agreements to sell power, or fixed price wind tariffs.

As set out in note 1.4.6., IFRIC 12 applies to public-to-private service concession arrangements if:

(a) the 'grantor' (i.e. the public sector entity – the offtaker) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement. Infrastructure used in a public-to-private service concession arrangement for its entire useful life (a whole of life asset) is within the scope of IFRIC 12 if the conditions in (a) are met.

For International Power, long-term power purchase arrangements are typically within scope of IFRIC 12 where:

- the offtaker is a public sector entity;
- the offtaker provides the electricity, produced by the infrastructure, to the public; and
- there is a transfer of ownership of the power plant to the offtaker at the end of the arrangement; or the power purchase agreement is for substantially all of the economic life of the infrastructure.

International Power's power stations, within the scope of IFRIC 12, operate under long-term power purchase agreements, and have typically been built specifically to meet the energy requirements of the local governments, which need power to meet their public service commitments. The PPAs are either agreements to build, operate and maintain the plant, or to build, operate, and subsequently transfer, the power plant to the offtaker. The offtaker agrees to purchase the entire capacity and electrical output of the power station, and the operator agrees to sell the capacity and the electrical output (energy) to the offtaker on an exclusive basis. The tariff components of each power purchase agreement are bespoke to each arrangement, but typically comprise two components: a capacity charge and an energy charge. The capacity charge will usually remunerate the operator for the cost of construction and financing of the power station, and fixed operating costs, and becomes due when capacity of the power plant is made available to produce energy. The energy charge is paid based on electrical output of the plant and will usually only recover the operator's variable costs of production (mostly fuel). The energy charge is usually underpinned by the actual cost of purchased fuel and is dependent on a contractual fuel to energy conversion ratio.

The operator makes investments in the power station (infrastructure) to keep it operational, and usually agrees a maintenance plan with the offtaker. All the operation and maintenance costs, including capital renewal costs, are borne by the operator.

In order to protect project level returns in developing countries, the capacity charge is usually denominated in US dollars. Local currencies are used in developed countries. Indexation is applied to elements of the capacity charge which recover operating costs which are subject to inflation. Indexation could be applied monthly, annually or at dates in between depending on the arrangement.

The PPAs typically last for between 20 and 40 years. Other than indexation of components of the capacity charge, the terms of which are agreed at the outset of the contract, and the 'pass-through' of fuel costs (subject to heat rate risk), there is usually no re-pricing during the terms of the agreements. There is, however, usually a change of law protection in the agreement which mitigates the operator to additional costs and capital expenditure related to changes in legislation, such as new emission regulations.

Because capacity charges are based on availability, rather than electrical output, demand risk and price risk are borne by the offtaker. Therefore, in these arrangements, the operator recognises a financial asset as it has an unconditional contractual right to receive cash. All of IPR's service concession arrangements result in the recognition of a financial asset. None result in the recognition of an intangible asset.

Some of the International Power's wind assets, particularly those in Germany, are also considered service concession arrangements because of the fixed price nature of the tariffs and the length of the agreements.

19.2 Finance lease receivables

	2009	*2008*	*2007*
		In millions of pounds	
Minimum lease payments:			
Not later than one year	42	47	34
Later than one year and not later than five years	166	187	135
Later than five years	463	567	444
Gross investment in the lease	**671**	**801**	**613**
Less: unearned finance income	(346)	(427)	(336)
Total finance lease receivables	**325**	**374**	**277**
Analysed as:			
Present value of minimum lease payments:			
Not later than one year	10	10	7
Later than one year and not later than five years	47	49	32
Later than five years	268	315	238
Total finance lease receivables	**325**	**374**	**277**
Non-current assets	315	364	270
Current assets	10	10	7
Total finance lease receivables	**325**	**374**	**277**

International Power's business is primarily the generation of electricity and provision of electrical capacity. The Group enters into certain arrangements, such as long-term PPAs, to secure contracted revenues for a long period of time. Some of these arrangements are determined to be or to contain finance leases based on an assessment of who bears the principal risks and rewards of ownership. Where arrangements are considered to be or to contain finance leases, the capacity payments are apportioned between minimum lease payments (comprising capital repayments and finance income) and service income. The duration of minimum lease payments coincides with the tenors of the contracted cash flows and usually represents either a significant proportion, or all, of the asset's life.

The interest rate inherent in the finance lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 7% per annum (2008: 7% per annum; 2007: 7% per annum).

The fair value of the Group's finance lease receivables as at 31 December 2009 is estimated at £385 million (2008: £425 million; 2007: £277 million) based on discounting estimated cash flows at market rates.

There are no finance lease receivables past due. Finance lease receivables are due from strong investment grade counterparties.

NOTE 20 – Operating leases

20.1 Operating leases for which the Group acts as a lessee

Outstanding commitments for future minimum lease payments under non-cancellable operating leases, fall due as follows:

	2009	2008	2007
	In millions of pounds		
Not later than one year	13	16	13
Later than one year and not later than five years	43	49	46
Later than five years	78	87	84
Total outstanding commitments	**134**	**152**	**143**

Operating lease payments substantially represent rentals payable by the Group for office properties and wind turbine equipment. These payment commitments are offset by future minimum receipts under non-cancellable operating subleases of £nil (2008: £1 million; 2007: £3 million).

The Group leases office space under a non-cancellable operating lease agreement which expires in 2016. The lease agreement is renewable at the end of the lease period at market rate.

The Group also leases land under non-cancellable operating lease agreements. The lease terms are between 20 and 70 years, and the majority of the lease agreements are renewable at maturity at market rate.

20.2 Operating leases for which the Group acts as a lessor

International Power's business is the generation of electricity. The Group enters into arrangements such as long-term PPAs to secure contracted revenues for a long period of time. Some of these arrangements are determined to be or to contain operating leases. The Group has contracted to receive from offtakers the following minimum lease payments:

	2009	2008	2007
	In millions of pounds		
Not later than one year	118	123	105
Later than one year and not later than five years	268	362	363
Later than five years	245	342	298
Total minimum lease payments	**631**	**827**	**766**

Operating lease income earned from these arrangements during the year amounted to £121 million (2008: £115 million; 2007: £63 million).

NOTE 21 – Cash flows

Reconciliation with net financial income/(loss) in the consolidated income statement

	Financial cash flows (net financial income/(loss))		
	2009	*2008*	*2007*
	In millions of pounds		
Impact in the income statement	(564)	(32)	(409)
Changes in amortised cost	39	22	15
Foreign currency translation and changes in fair value	115	(387)	82
Unwinding of discounting adjustments to provisions	2	2	1
Other	(50)	(25)	(17)
Impact in the consolidated statement of cash flows	**(458)**	**(420)**	**(328)**
Breakdown of the impact statement of cash flows			
Interest received on non-current financial assets	6	—	—
Dividends received on non-current financial assets	—	—	—
Interest paid	(492)	(472)	(394)
Interest received on cash and cash equivalents	28	52	66
Change in financial assets at fair value through income	—	—	44
Total impact in the consolidated statement of cash flows	**(458)**	**(420)**	**(284)**
Change in the consolidated statement of financial position of financial assets at fair value	—	—	(44)
Impact in the consolidated statement of cash flows adjusted for changes in the consolidated statement of financial position	**(458)**	**(420)**	**(328)**

NOTE 22 – Share-based payment

22.1 Number of shares and exercise prices under Share Option Plans

The Group operates the following employee share plans for which shares may be issued by the Group out of authorised but unissued share capital upon exercise of employee share options: the UK Approved Sharesave Plan and the Global Sharesave Plan; the UK Approved and Unapproved Executive Share Option Plans, the Global Executive Share Option Plan and the 2002 Performance Share Plan. The total number of options and conditional awards over Ordinary Shares in the Company outstanding at the end of the year was as follows:

			Number of Ordinary Shares		
	Option price range	*Date exercisable*	*2009*	*2008*	*2007*
Sharesave Plans	200.00p-389.00p	2011-2015	5,381,907	5,852,924	6,429,720
Executive Share Option Plans	62.32p-388.25p	2003-2019	17,708,391	13,145,095	14,695,753
Total options outstanding			23,090,298	18,998,019	21,125,473
2002 Performance Share Plan			8,894,267	6,274,801	6,273,444
Total Ordinary Shares subject to employee share plans			**31,984,565**	**25,272,820**	**27,398,917**

Details of each plan are set out below.

22.1.1 Sharesave Plans

The UK Approved Sharesave Plan and the Global Sharesave Plan are savings-related and enable employees in the UK and a number of other jurisdictions to invest up to a maximum of £250 (or foreign currency equivalent) per month for the purpose of acquiring shares in the Group. The option prices are fixed at a discount of 20% to the market value of the Company's Ordinary Shares as at the date of grant of the option. Options are exercisable at the prices set out below. The option exercise period commences either three or five years after the option has been granted (determined at the time that the employee enters into the savings agreement) and if the options remain unexercised after a period of six months following the beginning of the option exercise period, the options expire. Except for certain specific circumstances (e.g. redundancy) options lapse if the employee leaves the Group before the option exercise period commences. Details of the share options outstanding at the end of the year are as follows:

		Number of Ordinary Shares		
Option price range	*Date exercisable*	*2009*	*2008*	*2007*
80.12p	2007-2008	—	—	1,985,637
70.33p	2008	—	—	570,644
97.93p	2008-2009	—	55,020	69,582
97.93p	2009	—	83,163	99,331
200.00p	2009	—	1,235,737	1,314,025
200.00p	2011	986,381	1,008,657	1,035,019
389.00p	2011	229,251	369,742	606,225
389.00p	2013	406,961	496,149	749,257
262.00p	2012	842,388	1,151,556	—
262.00p	2014	1,068,350	1,452,900	—
239.00p	2013	1,144,657	—	—
239.00p	2015	703,919	—	—
		5,381,907	**5,852,924**	**6,429,720**

The number and weighted average exercise prices of the Sharesave Plan share options are as follows:

	2009		*2008*		*2007*	
	Number of Ordinary Shares in pence	*Weighted average exercise price*	*Number of Ordinary Shares in pence*	*Weighted average exercise price*	*Number of Ordinary Shares in pence*	*Weighted average exercise price*
Options outstanding at beginning of the year	5,852,924	253.14	6,429,720	188.63	6,021,436	129.15
Granted during the year	1,875,834	239.00	2,626,582	262.00	1,365,425	389.00
Exercised during the year	(1,287,918)	188.85	(2,551,389)	78.88	(830,476)	87.10
Expired during the year	(8,422)	200.00	(34,708)	70.78	—	—
Forfeited during the year	(1,050,511)	283.52	(617,281)	349.41	(126,665)	186.68
Options outstanding at end of the year	**5,381,907**	**257.75**	**5,852,924**	**253.14**	**6,429,720**	**188.63**
Options exercisable at end of the year	**—**		**55,020**		**1,985,637**	

The weighted average share price at the date of exercise for Sharesave Plan share options exercised during the year was 246.83 pence (2008: 422.07 pence; 2007: 435.21 pence). The share options outstanding at the end of the year have exercise prices in a range from 97.93 pence to 389.00 pence as outlined in the table above.

For those share options outstanding at the end of the year the weighted average remaining contractual life is 3.4 years (2008: 3.2 years; 2007: 2.2 years).

22.1.2. Executive Share Option Plans

The UK Approved and Unapproved Executive Share Option Plans and the Global Executive Share Option Plan are discretionary employee share option plans. Options are granted to those employees selected to participate in the Plan at the discretion of the Directors of the Company. The exercise price of the options is fixed at the market value of the Company's Ordinary Shares as at the date that the options are granted. The option exercise period is between the third and tenth anniversaries of the date of grant of the options and if the options are not exercised before the expiry of the tenth anniversary of the date of grant then the options lapse. Except for certain specific circumstances (e.g. redundancy) options lapse if the employee leaves the Group before the option exercise period commences or if the employee resigns from the Company. Details of the share options outstanding at the end of the year are as follows:

		Number of Ordinary Shares		
Option price range	*Date exercisable*	*2009*	*2008*	*2007*
313.92p	2001-2008	—	—	210,568
277.55p	2003-2010	511,588	544,315	667,968
209.22p	2004-2011	286,366	299,812	342,766
174.50p	2005-2012	2,705,136	2,764,000	2,968,750
62.32p	2006-2013	279,387	297,040	297,040
123.53p	2007-2014	486,180	508,261	644,297
179.25p	2008-2015	1,742,139	1,892,338	5,000,370
281.00p	2009-2016	2,286,445	2,397,941	2,502,846
388.25p	2010-2017	1,925,043	1,990,208	2,061,148
370.00p	2011-2018	2,364,068	2,451,180	—
195.60p	2012-2019	5,122,039	—	—
		17,708,391	**13,145,095**	**14,695,753**

The number and weighted average exercise prices of Executive Share Options are as follows:

	2009		*2008*		*2007*	
	Number of Ordinary Shares in pence	*Weighted average exercise price*	*Number of Ordinary Shares in pence*	*Weighted average exercise price*	*Number of Ordinary Shares in pence*	*Weighted average exercise price*
Options outstanding at beginning of the year	13,145,095	263.98	14,695,753	227.22	21,294,173	186.60
Granted during the year	5,195,327	195.60	2,510,316	370.00	2,095,124	388.25
Exercised during the year	(236,610)	196.39	(3,400,824)	183.31	(7,826,019)	162.29
Expired during the year	—	—	(149,810)	313.92	(26,044)	343.73
Forfeited during the year	(395,421)	277.04	(510,340)	249.86	(841,481)	200.50
Options outstanding at end of the year	**17,708,391**	**244.53**	**13,145,095**	**263.98**	**14,695,753**	**227.22**
Options exercisable at end of the year	**8,297,241**		**6,305,766**		**5,131,389**	

'Options exercisable at the end of the year' include 2,705,136 (2008: 2,764,000; 2007: 2,968,750) options which are only exercisable in certain specific circumstances such as redundancy or ill-health retirement.

The weighted average share price at the date of exercise for Executive Share Options exercised during the year was 277.22 pence (2008: 417.67 pence; 2007: 407.32 pence). The share options outstanding at the end of the year have exercise prices in a range from 62.32 pence to 388.25 pence as outlined in the table above.

For those share options outstanding at the end of the year the weighted average remaining contractual life is 6.4 years (2008: 6.3 years; 2007: 6.6 years).

22.1.3 2002 Performance Share Plan

The 2002 Performance Share Plan is a discretionary employee share plan. Under this plan, Directors and certain senior managers of the Group are awarded conditional awards over Ordinary Shares in the Company. These conditional awards may vest three years after the awards have been made subject to the satisfactory performance of a performance condition (determined at the time that the conditional awards are made) which relates to growth in normalised earnings per share and total shareholder return.

Details of the conditional awards over Ordinary Shares arising from the 2002 Performance Share Plan at the end of the year are as follows:

	Number of Ordinary Shares		
Vesting year	*2009*	*2008*	*2007*
2008	—	—	1,912,237
2009	—	2,172,504	2,342,787
2010	1,835,297	1,878,772	2,018,420
2011	2,198,345	2,223,525	—
2012	4,860,625	—	—
	8,894,267	**6,274,801**	**6,273,444**

The number of conditional rights over Ordinary Shares are as follows:

	Number of Ordinary Shares		
	2009	*2008*	*2007*
Awards outstanding at the beginning of the year	6,274,801	6,273,444	6,472,594
Conditional awards made during the year	4,964,373	2,327,229	2,039,669
Released during the year	(2,110,587)	(1,875,661)	(2,217,570)
Forfeited during the year	(234,320)	(450,211)	(21,249)
Awards outstanding at end of the year	**8,894,267**	**6,274,801**	**6,273,444**

22.1.4. 2002 Performance Share Plan – Employee Share Ownership Trust Option

In 2003 the Group granted to the Trustee of the International Power Employee Share Ownership Trust an option to acquire 3,807,057 Ordinary Shares in the Company at an option price of 84 pence per share. Following a rights issue in 2004, the number of shares under option was increased to 4,276,215 and the option exercise price was adjusted to 74.79 pence per share. This option could only be exercised to the extent required to satisfy conditional awards made under the 2002 Performance Share Plan. These conditional awards can only vest after the end of the relevant performance period and only to the extent to which the performance conditions have been satisfied.

During 2006 the Trustee exercised this option to the extent of 3,046,107 shares in respect of Performance Share Plan awards released in March 2006. During 2007 the Trustee exercised this option over the remaining 1,230,108 shares in respect of Performance Share Plan awards released in March 2007.

22.2 Fair value of options under Share Option Plans

22.2.1. Sharesave Plans

The estimated fair value of the options at the date of grant, for those granted during the year, was 60 pence per share (2008: 39 pence per share; 2007: 136 pence per share).

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2009	*2008*	*2007*
Weighted average share price	267p	220p	437p
Weighted average exercise price	239p	262p	389p
Expected volatility	30%	30%	25%
Expected life	4 years	5 years	4 years
Risk free rate	2.23%	4.28%	4.44%
Expected dividend yield	3.50%	3.13%	2.70%

22.2.2. Executive Share Option Plans

The estimated fair value of the options at the date of grant, for those granted during the year, was 42 pence per share (2008: 71 pence per share; 2007: 76 pence per share).

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2009	*2008*	*2007*
Weighted average share price	210p	381p	384p
Weighted average exercise price	196p	370p	388p
Expected volatility	30%	25%	25%
Expected life	4 years	4 years	4 years
Risk free rate	2.22%	3.87%	5.11%
Expected dividend yield	3.98%	3.13%	2.70%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

22.2.3. 2002 Performance Share Plans

The estimated fair value of conditional awards at the date of grant, over Ordinary Shares in the Company granted during the year, was 137 pence per share (2008: 247 pence per share; 2007: 275 pence per share).

For conditional awards made under the 2002 Performance Share Plan, without market-related performance condition, the fair values have been calculated as the face values of the award, discounted for the non-entitlement to dividends during the vesting period. Where conditional awards contain a market-related performance condition, the fair values are measured using a Monte Carlo simulation method. Inputs into the model were as follows:

	2009	*2008*	*2007*
Risk free rate	1.89%	3.89%	5.18%
Expected dividend yield	3.98%	3.13%	2.70%

NOTE 23 – Related party transactions

23.1 Joint ventures

23.1.1. Transportation contracts

In the normal course of business the Group has contracts in place in relation to fuel transportation with one of its joint ventures. During the year the Group incurred costs of £10 million (2008: £9 million; 2007: £8 million) in relation to these contracts.

23.2 Associates

23.2.1. Operations and maintenance contracts

In the normal course of business the Group has contracted to provide power station operation and maintenance services to associates. During the year the Group derived income of £85 million (2008: £62 million; 2007: £55 million) from these arrangements. Included in trade receivables is £7 million (2008: £6 million; 2007: £5 million) in relation to these contracts.

23.2.2. Emissions certificates

In the normal course of business, the Group has contracted to provide emission certificates to one of its associates. During the year the Group derived income of £12 million (2008: £34 million; 2007: £nil) from these arrangements.

23.2.3. Retail supply contracts

In the normal course of business the Group has contracted to provide power and gas to one of its associates involved in retail supply. During the year the Group derived income of £82 million (2008: £67 million; 2007: £36 million) from these arrangements. Included in trade receivables is £1 million (2008: £1 million; 2007: £nil) in relation to these contracts.

NOTE 24 – Executive compensation

The key management personnel of International Power plc comprises the Chairman, Executive Directors and Non-Executive Directors. The compensation of key management personnel is set out below in aggregate. There are no personnel, other than the Directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of International Power plc. No member of key management had any material interest during the year in a contract of significance (other than a service contract) with the Company or any of its subsidiaries.

	2009	*2008*	*2007*
		In millions of pounds	
Short-term employee benefits	7	6	5
Post-employment benefits	1	1	1
Share-based payments	3	2	2
Total employee benefit costs of key management personnel	**11**	**9**	**8**

NOTE 25 – Contingent assets and liabilities

25.1 Taxation

The Company is aware of a number of issues which are, or may be, the subject of disputes with the tax authorities in the territories where the Group has operations, including its joint ventures and associates. The Directors are of the opinion, having regard to the professional advice received, that adequate provision has been made for the settlement of any tax liabilities that might arise.

25.2 Collateral, bonds and guarantees

The Group has pledged financial assets with carrying amounts totalling £1,822 million as collateral as at 31 December 2009 (2008: £2,073 million; 2007: £1,794 million). These comprise finance lease receivables, cash margining in support of commercial arrangements and trade receivables.

Various growth and expansion projects are supported by bonds, letters of credit and guarantees issued by the Group totalling £590 million (2008: £697 million; 2007: £502 million). Energy trading activities relating to merchant plant are supported by letters of credit and guarantees issued by the Group totalling £282 million (2008: £649 million; 2007: £430 million).

25.3 Associates

Bonds and guarantees

The Group's associates have various growth and expansion projects that are supported by bonds, letters of credit and guarantees. The Group's share of these bonds, letters of credit and guarantees amount to £43 million (2008: £62 million; 2007: £55 million). These obligations are normally secured by the assets of the respective associate. Any amounts guaranteed by International Power plc or any other Group subsidiary are included within bonds and guarantees disclosed in 25.2 above.

NOTE 26 – Legal proceedings

The Company is aware of claims and potential claims, which involve or may involve legal proceedings against the Group, by or on behalf of current and former employees, including former employees of the Central Electricity Generating Board (CEGB), and contractors in respect of industrial illness and injury.

RWE npower has agreed to indemnify International Power plc on an after-tax basis to the extent of 50% of any liability that the Company may incur whether directly or indirectly as a consequence of those proceedings to the extent such liability is not insured by Electra Insurance Limited.

NOTE 27 – Events after the reporting period

27.1 Events after reporting period ended 31 December 2009

On 27 January 2010, Hazelwood Power Partnership, which owns the 1,675MW coal-fired Hazelwood power station located in Victoria, Australia completed the restructuring of its non-recourse debt of A$742 million (£415 million). The restructured facility has a maturity date of 30 June 2012.

Draft legislation was approved by the Italian Government on 30 November 2010 indicating that the level at which the regulator would support the green certificate (CV) price received by existing capacity would fall compared to the level supported under the current regime, and after 2015 existing plants would receive a feed in tariff. The pricing structure of the proposed feed in tariff has not been defined and the draft proposal still requires several further approvals before becoming law. If this draft regulation becomes law as currently drafted, it may have the impact of reducing the renewable subsidy for existing plants from 2011.

27.2 Events after reporting period ended 31 December 2008

There are no events after the end of the reporting period to report.

27.3 Events after reporting period ended 31 December 2007

On 19 March 2008, International Power acquired an additional 31% shareholding in Uch Power (Pvt) Limited for a total cash consideration, net of cash and cash equivalents acquired, of US$68 million (£35 million). The acquisition takes the Group's total holding in Uch Power (Pvt) Limited to 71%.

NOTE 28 – List of group entities

28.1 Subsidiaries

Unless otherwise stated, the Group had the following significant investments in subsidiaries during the three years ended 31 December 2009. These investments are all indirectly held by International Power plc, unless otherwise stated.

Name and nature of business	*Country of incorporation and registration*	*Type of share*	*Group effective shareholding*
North America			
International Power Canada Inc[1] (power generation)	Canada	Ordinary Shares	100%
ANP Bellingham Energy Company, LLC (power generation)	US	Ordinary Shares	100%
ANP Blackstone Energy Company, LLC (power generation)	US	Ordinary Shares	100%
Armstrong Energy Limited Partnership, LLLP[2] (power generation)	US	Partners' Capital	100%
Calumet Energy Team, LLC[2] (power generation)	US	Ordinary Shares	100%
Coleto Creek Power LP (power generation)	US	Partners' Capital	100%
Hays Energy Limited Partnership (power generation)	US	Partners' Capital	100%
Midlothian Energy Limited Partnership (power generation)	US	Partners' Capital	100%
Milford Power Limited Partnership (power generation)	US	Partners' Capital	100%
Pleasants Energy, LLC[2] (power generation)	US	Ordinary Shares	100%
Troy Energy, LLC[2] (power generation)	US	Ordinary Shares	100%
Europe			
International Power Opatovice A.S.[3] (power generation)	Czech Republic	Ordinary Shares	100%
First Hydro Company[4] (power generation)	England and Wales	Ordinary Shares	75%
First Hydro Finance plc[4] (financing company)	England and Wales	Ordinary Shares	75%
Indian Queens Power Limited[5] (power generation)	England and Wales	Ordinary Shares	75%
IPM Energy Trading Limited[5] (energy trading)	England and Wales	Ordinary Shares	75%
Rugeley Power Limited[5] (power generation)	England and Wales	Ordinary Shares	75%
Saltend Cogeneration Company Limited[5] (power generation)	England and Wales	Ordinary Shares	75%
Deeside Power Limited[5][6] (power generation)	Gibraltar	Ordinary Shares	75%
IP Maestrale Investments Limited[6] (investment holding company)	Gibraltar	Ordinary Shares	100%
IPM Portfolio Trading Limited[6] (energy trading)	Gibraltar	Ordinary Shares	75%
Levanto Structured Energy (Lux) S.à.r.l. (investment holding company)	Luxembourg	Ordinary Shares	100%
International Power Levanto Holdings BV[7] (investment holding company)	Netherlands	Ordinary Shares	100%
Turbogás – Produtora Enérgetica S.A.[8] (power generation)	Portugal	Ordinary Shares	100%
Electro Metalurgica del Ebro SL (power generation)	Spain	Ordinary Shares	64%
Ibérica de Enérgías SL (power generation)	Spain	Ordinary Shares	70%
Middle East			
Al Kamil Power Company SAOG (power generation)	Oman	Ordinary Shares	65%
Tihama Power Generation Company Limited (power generation)	Saudi Arabia	Ordinary Shares	60%
Australia			
Canunda Power Pty Limited (power generation)	Australia	Ordinary Shares	100%
Gippsland Power Pty Limited (power generation)	Australia	Ordinary Shares	70%
Hazelwood Power Partnership (power generation)	Australia	Partners' Capital	92%
Latrobe Power Partnership (power generation)	Australia	Partners' Capital	70%
Perth Power Partnership[9] (power generation)	Australia	Partners' Capital	49%
Simply Energy[10] (retail supplier)	Australia	Partners' Capital	100%
Synergen Power Pty Limited (power generation)	Australia	Ordinary Shares	100%
Pelican Point Power Limited[11] (power generation)	England and Wales	Ordinary Shares	100%

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding
Asia			
Thai National Power Company Limited (power generation)	Thailand	Ordinary Shares	100%
Corporate			
IPM Eagle LLP[9] (investment holding company)	England and Wales	Partners' Capital	70%
Normanglade 4 LLP (financing company)	England and Wales	Partners' Capital	70%
IPM (UK) Power Holdings Limited[6] (investment holding company)	Gibraltar	Ordinary Shares	75%
IPR Insurance Company Limited[12] (insurance captive)	Guernsey	Ordinary Shares	100%
International Power (Jersey) Limited[6] (financing company)	Jersey	Ordinary Shares	100%
International Power Finance (Jersey) II Limited[6] (financing company)	Jersey	Ordinary Shares	100%
International Power Finance (Jersey) III Limited[6][12] (financing company)	Jersey	Ordinary Shares	100%

All subsidiaries operate in their country of incorporation, except as indicated below. The year end for all subsidiaries listed is 31 December. The Group also has a number of overseas branch offices.

(1) Acquired during the year ended 31 December 2009 (refer to note 2.1).

(2) Acquired during the year ended 31 December 2008 (refer to note 2.2).

(3) Disposed of during the year ended 31 December 2009 (refer to note 2.1).

(4) Additional 5% acquired on 20 June 2007. Group effective shareholding until this date was 70% (refer to note 2.3.3).

(5) Disposal of 25% interest on 20 June 2007. Group effective shareholding until this date was 100% (refer to note 2.3.3).

(6) Operates in the UK.

(7) International Power consolidates the results, assets and liabilities of Breeze Two Energy as required under IFRS (refer to note 1.3.2.3).

(8) Additional 40% acquired on 5 June 2008. Group effective shareholding until this date was 60% (refer to note 2.2.2).

(9) Perth Power Partnership is a 70% owned subsidiary of IPM Eagle LLP, a 70% owned subsidiary of International Power plc.

(10) Acquired during the year ended 31 December 2007 (refer to note 2.3).

(11) Operates in Australia.

(12) Held directly by International Power plc.

28.2 Associates

Unless otherwise stated, the Group had the following significant investments in associates during the three years ended 31 December 2009. These investments are all indirectly held by International Power plc unless otherwise stated.

Name and nature of business	Country of incorporation and registration	Accounting period end	Type of share	Group effective shareholding
Europe				
Derwent Cogeneration Limited (power generation)	England and Wales	31 March	Ordinary Shares	23%
Opus Energy Limited (retail supplier)	England and Wales	31 March	Ordinary Shares	30%
ISAB Energy Srl (power generation)	Italy	31 December	Ordinary Shares	34%
Carbopego – Abastecimento de Combustiveis, S.A. (fuel supplier)	Portugal	31 December	Ordinary Shares	50%
Pegop – Energia Electrica, S.A. (power station operations)	Portugal	31 December	Ordinary Shares	50%
Tejo Energia – Producao e Distribuicao de Energia Electrica, S.A. (power generation)	Portugal	31 December	Ordinary Shares	50%
Uni-Mar Enerji Yatirimlari A.S. (power generation)	Turkey	31 December	Ordinary Shares	33%

Name and nature of business	Country of incorporation and registration	Accounting period end	Type of share	Group effective shareholding
Middle East				
Hidd Power Company BSC(c) (power generation and desalination)	Bahrain	31 December	Ordinary Shares	40%
Q Power QSC (power generation and desalination)	Qatar	31 December	Ordinary Shares	40%
Arabian Power Company PJSC (power generation and desalination)	UAE	31 December	Ordinary Shares	20%
Fujairah Asia Power Company PJSC (power generation and desalination)	UAE	31 December	Ordinary Shares	20%
Shuweihat CMS International Power Company PJSC (power generation and desalination)	UAE	31 December	Ordinary Shares	20%
Asia				
PT Paiton Energy Company (power generation)	Indonesia	31 December	Ordinary Shares	41%(1)
Malakoff Berhad(2) (power generation)	Malaysia	31 August	Ordinary Shares	18%
Kot Addu Power Company Limited (power generation)	Pakistan	30 June	Ordinary Shares	36%
The Hub Power Company Limited(3) (power generation)	Pakistan	30 June	Ordinary Shares	17%

(1) In addition to its 31 per cent. indirect equity participation, International Power acquired the right to an additional 9.2 per cent. economic interest in June 2007.

(2) Disposed of during 2007, and accounted for as an asset held for sale during the period to disposal during the year ended 31 December 2007 (refer to note 2.3).

(3) International Power continues to apply the equity method of accounting for HUBCO, despite its shareholding being less than 20%, as it continues to exert and has the power to exert significant influence over the entity. At HUBCO, International Power continues to have significant board representation.

28.3 Joint ventures

Unless otherwise stated, the Group has the following significant investments in joint ventures during the three years ended 31 December 2009. These investments are all indirectly held by International Power plc.

Name and nature of business	Country of incorporation and registration	Accounting period end	Type of share	Group effective shareholding
Joint ventures				
North America				
EcoEléctrica LP(1) (power generation)	Bermuda	31 December	Partners' Capital	35%
Hartwell Energy Limited Partnership(2) (power generation)	US	31 December	Ordinary Shares	50%
Oyster Creek Limited Partnership (power generation)	US	31 December	Partners' Capital	50%
Europe				
T-Power N.V. (power generation)	Belgium	31 December	Ordinary Shares	33%
Prazská Teplárenská A.S.(3) (power generation)	Czech Republic	31 December	Ordinary Shares	50%
Elecgas S.A. (power generation)	Portugal	31 December	Ordinary Shares	50%

Name and nature of business	*Country of incorporation and registration*	*Accounting period end*	*Type of share*	*Group effective shareholding*
Australia				
EA-IPR Retail Partnership[4] (retail supplier)	Australia	31 December	Partners' Capital	50%
South East Australia Gas Pty Limited (gas pipeline)	Australia	30 June	Ordinary Shares	33%
Asia				
Uch Power (Pvt) Limited[5] (power generation)	Pakistan	31 December	Ordinary Shares	71%

All joint ventures and associates operate in their country of incorporation except as identified.

(1) Operates in Puerto Rico.

(2) Disposed of during the year ended 31 December 2009 (refer to note 5.3).

(3) Disposed of during the year ended 31 December 2009 (refer to note 2.1 and 5.3).

(4) Following a step acquisition in 2007, when the Company acquired another 50% in the EA-IPR Retail Partnership, the retail supplier was renamed Simply Energy and accounted for as a subsidiary (refer to note 2.3).

(5) International Power accounts for its interest in Uch Power (Pvt) Limited as a jointly controlled entity due to the joint control of its activities exerted by its shareholders.

NOTE 29 – Commitments

Fuel purchase and transportation commitments

At 31 December 2009, the Group had commitments for the purchase of fuel and transportation services, some of which have minimum purchase undertakings, to which the own use treatment is applied under IAS 39, i.e. accounted for on an accruals basis. Based on contract provisions, which consist of fixed prices, subject to adjustment clauses in some cases, these minimum commitments are estimated to aggregate to £642 million (2008: £809 million; 2007: £588 million) expiring within one year, £2,152 million (2008: £2,341 million; 2007: £2,135 million) expiring between one and five years and £1,244 million (2008: £1,663 million; 2007: £1,672 million) expiring after more than five years.

The fair value of contractual commitments for fuel and transport derivative contracts, which are not treated as own use, are accounted for as derivative contracts.

Section C: Restated 2010 condensed interim financial information relating to International Power for the 6 month period ended 30 June 2010.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	*30 June 2010*	*30 June 2009*	*31 Dec 2009*
		In millions of pounds		
NON-CURRENT ASSETS				
Intangible assets, net		216	181	193
Goodwill		850	853	887
Property, plant and equipment, net	7	7,696	7,199	7,603
Available-for-sale securities		96	31	63
Loans and receivables carried at amortised cost		2,007	1,967	2,060
Derivative instruments		—	30	—
Investments in associates		898	853	896
Other non-current assets		80	116	115
Deferred tax assets		49	94	67
TOTAL NON-CURRENT ASSETS		**11,892**	**11,324**	**11,884**
CURRENT ASSETS				
Loans and receivables carried at amortised cost		64	59	57
Derivative instruments		271	551	442
Trade and other receivables		747	747	864
Inventories	3	311	318	323
Other current assets		—	—	—
Financial assets at fair value through income		—	—	—
Cash and cash equivalents		1,529	1,187	1,251
Assets classified as held for sale		—	398	—
TOTAL CURRENT ASSETS		**2,922**	**3,260**	**2,937**
TOTAL ASSETS		**14,814**	**14,584**	**14,821**
Shareholders' equity		4,580	3,837	4,474
Non-controlling interests		311	218	287
TOTAL EQUITY	8	**4,891**	**4,055**	**4,761**
NON-CURRENT LIABILITIES				
Provisions		174	144	166
Long-term borrowings	8	6,302	6,394	5,991
Derivative instruments		321	408	321
Other financial liabilities		31	—	—
Other non-current liabilities		92	91	85
Deferred tax liabilities		926	954	946
TOTAL NON-CURRENT LIABILITIES		**7,846**	**7,991**	**7,509**
CURRENT LIABILITIES				
Provisions		25	37	23
Short-term borrowings	8	609	703	857
Derivative instruments		362	418	440
Trade and other payables		642	555	749
Other current liabilities		439	630	482
Liabilities directly associated with assets classified as held for sale		—	195	—
TOTAL CURRENT LIABILITIES		**2,077**	**2,538**	**2,551**
TOTAL EQUITY AND LIABILITIES		**14,814**	**14,584**	**14,821**

INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	30 June 2010	30 June 2009	31 Dec 2009
		In millions of pounds		
Revenues		1,907	1,965	3,947
Purchases		(917)	(988)	(1,902)
Personnel costs		(122)	(116)	(244)
Depreciation, amortisation and provisions		(195)	(154)	(340)
Other operating income and expenses, net		(220)	(220)	(436)
CURRENT OPERATING INCOME		**453**	**487**	**1,025**
Mark-to-market on commodity contracts other than trading instruments	4	(57)	243	311
Impairment of property, plant and equipment, intangible assets and financial assets	4	—	—	(95)
Changes in scope of consolidation	4	—	—	449
INCOME FROM OPERATING ACTIVITIES		**396**	**730**	**1,690**
Financial expenses		(229)	(266)	(622)
Financial income		58	31	58
NET FINANCIAL LOSS		**(171)**	**(235)**	**(564)**
Income tax expense		(49)	(118)	(170)
Share in net income of associates		54	87	176
NET INCOME		**230**	**464**	**1,132**
Net income Group share		199	394	981
Non-controlling interests		31	70	151
Earnings per share (pence)	5	13.1	25.9	64.5
Diluted earnings per share (pence)	5	11.1	24.1	61.8

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2010	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
NET INCOME	230	464	1,132
Net investment hedges	61	92	58
Cash flow hedges (excl, commodity instruments)	(46)	73	75
Commodity cash flow hedges	3	(11)	17
Actuarial gains and losses	(11)	(4)	(13)
Translation adjustments	51	(340)	(139)
Reclassification of foreign exchange on disposal of foreign operation	—	—	(94)
Deferred taxes	14	8	10
Share in other comprehensive income (expense) of associates	(41)	(20)	6
OTHER COMPREHENSIVE INCOME (EXPENSE)	**31**	**(202)**	**(80)**
TOTAL COMPREHENSIVE INCOME	**261**	**262**	**1,052**
Group share	232	197	890
Non-Controlling interests	29	65	162

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in capital and consolidated reserves	*Fair value adjustments and other adjustments*	*Treasury stock*	*Cumulative translation adjustment*	*Shareholders' equity*	*Non-controlling interests*	*Total*
				In millions of pounds			
EQUITY AT 31 DECEMBER 2009	**4,162**	**(224)**	**—**	**536**	**4,474**	**287**	**4,761**
Income and expense recognised directly in equity	(2)	(115)	—	150	33	(2)	31
Net income	199	—	—	—	199	31	230
TOTAL RECOGNISED INCOME AND EXPENSE	**197**	**(115)**	**—**	**150**	**232**	**29**	**261**
Employee share issues and share-based payment	1	—	—	—	1	—	1
Distribution	(126)	—	—	—	(126)	(9)	(135)
Contribution	—	—	—	—	—	—	—
Other	(1)	—	—	—	(1)	4	3
EQUITY AT 30 JUNE 2010 – UNAUDITED	**4,233**	**(339)**	**—**	**686**	**4,580**	**311**	**4,891**

	Paid-in capital and consolidated reserves	*Fair value adjustments and other adjustments*	*Treasury stock*	*Cumulative translation adjustment*	*Shareholders' equity*	*Non-controlling interests*	*Total*
EQUITY AT 31 DECEMBER 2008	**3,349**	**(415)**	**—**	**833**	**3,767**	**231**	**3,998**
Income and expense recognised directly in equity	—	165	—	(362)	(197)	(5)	(202)
Net income	394	—	—	—	394	70	464
TOTAL RECOGNISED INCOME AND EXPENSE	**394**	**165**	**—**	**(362)**	**197**	**65**	**262**
Employee share issues and share-based payment	4	—	—	—	4	—	4
Distribution	(131)	—	—	—	(131)	(78)	(209)
Contribution	—	—	—	—	—	—	—
EQUITY AT 30 JUNE 2009 – UNAUDITED	**3,616**	**(250)**	**—**	**471**	**3,837**	**218**	**4,055**

	Paid-in capital and consolidated reserves	*Fair value adjustments and other adjustments*	*Treasury stock*	*Cumulative translation adjustment*	*Shareholders' equity*	*Non-controlling interests*	*Total*
Equity at 31 December 2008	**3,349**	**(415)**	**—**	**833**	**3,767**	**231**	**3,998**
Income and expense recognised directly in equity	18	188	—	(297)	(91)	11	(80)
Net income	981	—	—	—	981	151	1,132
Total recognised income and expense	**999**	**188**	**—**	**(297)**	**890**	**162**	**1,052**
Employee share issues and share-based payment	10	—	—	—	10	—	10
Distribution	(195)	—	—	—	(195)	(106)	(301)
Other	(1)	3	—	—	2	—	2
Equity at 31 December 2009	**4,162**	**(224)**	**—**	**536**	**4,474**	**287**	**4,761**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2010	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
Net income	**230**	**464**	**1,132**
– Share in net income of associates	(54)	(87)	(176)
+ Dividends received from associates	21	8	80
– Net depreciation, amortisation and provisions	190	136	424
– Changes in scope of consolidation	—	—	(449)
– Mark-to-market on commodity contracts other than trading instruments	57	(243)	(311)
– Other items	3	1	7
– Income tax expense	49	118	170
– Net financial loss	171	235	564
Cash generated from operations before income tax and working capital requirements	**667**	**632**	**1,441**
+ Tax paid	(45)	(19)	(106)
Change in working capital requirements	92	44	89
Cash flow from operating activities	**714**	**657**	**1,424**
Acquisitions of property, plant and equipment and intangible assets	(184)	(191)	(373)
Gain of control of subsidiaries net of cash and cash equivalents acquired	—	—	(40)
Acquisition of investments in associates and joint ventures	(12)	(14)	(14)
Acquisitions of available-for-sale securities	(11)	—	(22)
Disposals of property, plant and equipment and intangible assets	—	2	1
Loss of control of subsidiaries net of cash and cash equivalents sold	(7)	—	492
Disposals of investments in associates and joint ventures	—	—	31
Disposals of available-for-sale securities	—	11	14
Interest received on non-current financial assets	1	—	6
Change in loans and receivables	15	24	44
Cash flow used in investing activities	**(198)**	**(168)**	**139**
Distribution	(135)	(78)	(305)
Repayment of borrowings and debt	(253)	(332)	(1,136)
Change in financial assets at fair value through income	—	—	—
Interest paid	(204)	(241)	(492)
Interest received on cash and cash equivalents	7	17	28
Increase in borrowings and debt	331	220	344
Contribution	2	2	3
Treasury stock movements	(4)	—	—
Cash flow from (used in) financing activities	**(256)**	**(412)**	**(1,558)**
Effect of changes in exchange rates and other(1)	18	(131)	5
Total cash flow for the period	**278**	**(54)**	**10**
Cash and cash equivalents at beginning of period	**1,251**	**1,241**	**1,241**
Cash and cash equivalents at end of period	**1,529**	**1,187**	**1,251**

(1) For the six month period ended 30 June 2009, "Effect of changes in exchange rates and other" includes the impact of reclassifying cash and cash equivalent balances into the "Assets classified as held for sale" line item on the face of the consolidated statement of financial position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

1.1.1 Condensed interim financial statements

These condensed interim financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union ('EU').

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009 as set out on pages 181 to 291.

These condensed interim financial statements are unaudited and do not constitute statutory accounts of International Power plc, its subsidiaries and the proportionate share of the Company's joint ventures (together referred to as 'the Group') within the meaning of Section 434 of the Companies Act 2006.

The accounting policies applied in the Interim Consolidated Financial Information for the six-month period ended June 30, 2010 are consistent with those used to prepare the Consolidated Financial Information for the years ended December 31, 2009, 2008 and 2007 as set out on pages 186 to 204, except for those described in note 1.1.2 below.

1.1.2. IFRS standards, amendments and IFRIC interpretations applicable in 2010

Adoption of International Financial Reporting Standard 3 (Business Combinations) (revised 2008) ('IFRS 3') and International Accounting Standard 27 (Consolidated and Separate Financial Statements) (revised 2008) ('IAS 27')

Following their adoption by the EU, the Group has adopted IFRS 3 and IAS 27 in the current year. The revised standards apply prospectively to business combinations effected by the Group after 1 January 2010. Business combinations which took place before 1 January 2010 do not need to be restated as a result of the adoption of these standards. The most significant changes to the Group's previous accounting policies for business combinations are as follows:

- acquisition related costs which previously would have been included in the cost of a business combination are expensed in the income statement as they are incurred;
- any pre-existing equity interest in the entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised in the income statement;
- any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement. Previously, such changes resulted in an adjustment to goodwill.

The revised standards have been applied to the acquisition of development companies by IPA Wind Development, LLC, as outlined in note 9.

1.2 Measurement basis

The condensed interim financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the Group's accounting policies.

1.3 Interim financial reporting

Income tax expense

Current and deferred income tax expense for interim periods is computed at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to income for the period.

Pension benefit obligations

Pension costs for interim periods are calculated on the basis of the actuarial valuations performed at the end of the prior year for UK schemes. If necessary, these valuations are adjusted to take account of curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognised in the statement of financial position in respect of defined benefit plans are adjusted in order to reflect changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

Pension costs for the Australian schemes are calculated on the basis of actuarial valuations performed at the end of the reporting period.

NOTE 2 – SEGMENT REPORTING

2.1 Operating segments

The Group is a global energy business that focuses on power generation. The international operations are managed as five separate geographic regions, namely North America, Europe, Middle East, Australia and Asia, and this reflects the different characteristics within each region.

2.2 Key indicators by operating segment

Revenue

All five reportable segments derive their revenue from electricity generation. There is no inter-segment revenue, therefore only revenue obtained from customers external to the Group is presented. The results presented reflect the geographical location of both the businesses and their customers, i.e. there are no material cross-border sales.

	30 June 2010	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
North America	373	400	840
Europe	870	1,001	1,940
Middle East	78	76	152
Australia	488	405	846
Asia	98	83	169
	1,907	**1,965**	**3,947**

Profit from operations (excluding exceptional items and specific IAS 39 mark-to-market movements)

As the Group is structured and managed as five regions, the segment results, assets and liabilities are presented in this way. With the exception of Profit from operations ('PFO') which is discussed below, the accounting policies applied in the presentation of results of the five reportable segments are the same as the accounting policies described in note 1.

During the periods presented, PFO was used by management as a Key Performance Indicator to measure the operating profitability of the Group. It excludes the impact of all non-operating costs from subsidiaries, financing costs and income tax expense. It also excludes exceptional items and specific IAS 39 mark-to-market movements, and therefore provides a comprehensive measure of operational performance. PFO was also calculated by applying the equity method of accounting to the results of joint ventures.

In the segment profit disclosure which follows, PFO (excluding exceptional items and specific IAS 39 mark-to-market movements) is presented, because during the periods presented it was one of the components that the Board monitored in making decisions about operating matters. Such components are identified on the basis of internal reports that the Board reviews regularly in allocating resources to segments and in assessing their performance.

	30 June 2010	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
North America	49	58	134
Europe	265	299	647
Middle East	49	41	85
Australia	133	120	233
Asia	53	54	101
	549	572	1,200
Corporate	(25)	(22)	(52)
	524	550	1,148

Reconciliation of Profit from operations to EBITDA

	30 June 2010	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
Profit from Operations	524	550	1,148
Expected return on pension schemes' assets	(8)	(8)	(16)
Interest on pension schemes' liabilities	7	8	15
Proportionate share of joint ventures' interest	12	12	24
Proportionate share of joint ventures' tax	(6)	8	9
Share of results of associates	(76)	(83)	(155)
Depreciation, amortisation and provisions	195	154	340
Share based payment	3	2	7
EBITDA	**651**	**643**	**1,372**

EBITDA	*30 June 2010*	*30 June 2009*	*31 Dec 2009*
	In millions of pounds		
North America	99	96	223
Europe	312	355	758
Middle East	29	30	56
Australia	196	155	325
Asia	36	25	47
Corporate	(21)	(18)	(37)
EBITDA	**651**	**643**	**1,372**

Current operating income

	30 June 2010	30 June 2009	31 Dec 2009
	In millions of pounds		
North America	46	64	147
Europe	235	272	599
Middle East	27	28	51
Australia	136	122	236
Asia	34	23	43
Corporate	(25)	(22)	(51)
Total current operating income	**453**	**487**	**1,025**

Income from operating activities

	30 June 2010	30 June 2009	31 Dec 2009
	In millions of pounds		
North America	62	82	179
Europe	94	421	1,112
Middle East	27	28	51
Australia	204	198	356
Asia	34	23	43
Corporate	(25)	(22)	(51)
Total income from operating activities	**396**	**730**	**1,690**

2.3 Reconciliation of EBITDA with current operating income

	30 June 2010	30 June 2009	31 Dec 2009
	In millions of pounds		
Current operating income	453	487	1,025
– Depreciation, amortisation and provisions	195	154	340
– Share-based payment (IFRS 2)	3	2	7
EBITDA	**651**	**643**	**1,372**

2.4 Segmental assets and liabilities

Segment assets

	30 June 2010			*30 June 2009*			*31 December 2009*		
	Segment assets	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*	*Segment assets*	*Investments in associates*	*Total*
	In millions of pounds								
North America	3,060	—	3,060	2,732	—	2,732	2,816	—	2,816
Europe	6,121	235	6,356	6,576	262	6,838	6,666	241	6,907
Middle East	541	58	599	530	59	589	521	90	611
Australia	2,863	—	2,863	2,577	—	2,577	2,839	—	2,839
Asia	625	605	1,230	587	532	1,119	572	565	1,137
	13,210	898	14,108	13,002	853	13,855	13,414	896	14,310
Corporate	706	—	706	729	—	729	511	—	511
	13,916	**898**	**14,814**	**13,731**	**853**	**14,584**	**13,925**	**896**	**14,821**

At 30 June 2009 the North America region included non-current assets classified as held for sale amounting to £11 million, relating to the Group's investment in Hartwell Energy, and the Europe

region included the assets classified as held for sale relating to International Power Opatovice A.S., in the Czech Republic.

Segment liabilities

	30 June 2010			30 June 2009			31 December 2009		
	Segment liabilities	*Investments in associates*	*Total*	*Segment liabilities*	*Investments in associates*	*Total*	*Segment liabilities*	*Investments in associates*	*Total*
					In millions of pounds				
North America	1,293	—	1,293	1,664	—	1,664	1,216	—	1,216
Europe	4,173	—	4,173	4,499	—	4,499	4,532	—	4,532
Middle East	440	—	440	409	—	409	406	—	406
Australia	1,840	—	1,840	1,816	—	1,816	1,914	—	1,914
Asia	271	—	271	276	—	276	243	—	243
	8,017	—	8,017	8,664	—	8,664	8,311	—	8,311
Corporate	1,906	—	1,906	1,865	—	1,865	1,749	—	1,749
	9,923	**—**	**9,923**	**10,529**	**—**	**10,529**	**10,060**	**—**	**10,060**

At 30 June 2009 the Europe region included the liabilities directly associated with assets classified as held for sale of International Power Opatovice A.S., in the Czech Republic.

NOTE 3 – CHANGES IN INVENTORIES

Included within purchases are £132 million of inventories recognised as an expense during the period (six months ended 30 June 2009: £246 million; year ended 31 December 2009: £405 million). No material amounts of inventories were written off during the periods presented.

NOTE 4 – INCOME FROM OPERATING ACTIVITIES

	30 June 2010	*30 June 2009*	*31 Dec 2009*
		In millions of pounds	
Current operating income	453	487	1,025
Mark-to-market on commodity contracts other than trading instruments	(57)	243	311
Impairment of property, plant and equipment, intangible assets and financial assets	—	—	(95)
Changes in scope of consolidation	—	—	449
Income from operating activities	**396**	**730**	**1,690**

4.1. Mark-to-market on commodity contracts other than trading instruments

Certain Group companies have implemented economic hedging strategies using forward contracts with the aim of reducing the sensitivity of margins to fluctuations in commodity prices. However, as these contracts cover the entities' net exposure to price risk or because of their complexity from an operational standpoint, they are not eligible for hedge accounting and are not designated as hedges under lAS 39. Changes in the fair value of these positions over the period resulted in a net loss of £57 million for the six months ended 30 June 2010 (six month ended 30 June 2009: a net gain of £243 million; year ended December 31, 2009: net gain of £311 million).

4.2 Impairment of property, plant and equipment, intangible assets and financial assets

	30 June 2010	30 June 2009	31 Dec 2009
	In millions of pounds		
Impairment of assets:			
Financial assets	—	—	(95)

On 31 December 2009 the Group assessed whether there had been any objective evidence that the service concession receivable, relating to the Levanto portfolio of onshore wind farms, had been impaired. Using observed historical wind volumes, in order to determine more reliable forecasts of future wind volumes, and updated forecasts of operating costs, the impact on future cash flows was estimated. The result of this impairment test valuation was to recognise an impairment to the service concession receivable of £70 million, and within the total taxation charge for the year an associated deferred tax credit of £19 million. This impairment is recorded within the Europe region in the segment reporting of income from operating activities.

On 31 December 2009 the Group assessed whether there had been any objective evidence that the carrying amount of its available-for-sale investments had been impaired. The result of this impairment test valuation was to recognise an impairment of £25 million to the carrying amount of an investment pertaining to the Eggborough power plant, in the United Kingdom. There was no tax credit associated with this impairment. The impairment is recorded within the Europe region in the segment reporting of income from operating activities.

4.3 Changes in scope of consolidation

On 13 November 2009 the Group completed the sale of International Power Opatovice, and its interests in its joint ventures Pražská Teplárenská and Energotrans, to the Czecho-Slovak investment firm J&T Group. Net consideration from the disposal, after costs, was £593 million and the profit on disposal was £427 million. There was no tax charge associated with this disposal. In the year ended 31 December 2009 the net cash inflow to the Group from the sale was £492 million, being net consideration of £593 million, £12 million costs not paid at the end of the reporting period, less £113 million cash held by subsidiaries and the proportionate share of joint ventures disposed of at the date of sale. During the six months ended 30 June 2010 costs of £7 million have been paid. The profit on disposal was recorded in the Europe region in the segment reporting of income from operating activities.

On 14 October 2009, International Power, together with its joint venture partner, completed the sale of Hartwell Energy, a 318MW gas and oil-fired peaking facility located in Georgia, US, to Oglethorpe Power Corporation. Proceeds, net of cash and cash equivalent disposed of, from the 50% stake in Hartwell Energy amounted to £31 million and the profit on disposal was £22 million, including a reclassification adjustment of £1 million from the translation reserve. A tax charge of £8 million was also recognised. The profit on disposal was recorded in the North America region in the segment reporting of income from operating activities.

NOTE 5 – EARNINGS PER SHARE

5.1 Basic earnings per share

Earnings per share is presented both before exceptional items and after exceptional items and specific IAS 39 mark-to-market movements in order to allow a better understanding of International Power's underlying business performance.

Those items that the Group presents as exceptional and specific IAS 39 mark-to-market movements are items which are inherently difficult to predict due to their unusual irregular or non-recurring nature. For the Group such items relate to the asset impairments and disposals, items presented on the line "Changes in the scope of consolidation", restructuring costs and mark-to-market on commodity contracts other than trading instruments presented in Income from operating activities as well as to mark-to-market movements on derivative contracts used in economic hedges of financing transactions and presented in Financial expenses and Financial income and the tax effect on these items if any. To the extent that such items are included in Share in net income of associates, those items have been isolated for purpose of this calculation.

	30 June 2010	30 June 2009	31 Dec 2009
Numerator (In millions of pounds)			
Net income Group share	199	394	981
Impact of exceptional items and specific IAS 39 mark-to-market movements	(16)	160	488
Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	215	234	493
Denominator (In millions of shares)			
Average number of shares outstanding	1,522.8	1,520.4	1,521.3
IMPACT OF DILUTIVE INSTRUMENTS	245.9	189.3	148.0
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,768.7	1,709.7	1,669.3
Earnings per share (in pence)			
Earnings per share – Net income Group share	13.1	25.9	64.5
Diluted earnings per share – Net income Group share	11.1	24.1	61.8
Earnings per share – Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	14.1	15.4	32.4
Diluted earnings per share – Net income Group share excluding exceptional items and specific IAS 39 mark-to-market movements	13.5	14.8	31.9

5.2 Exceptional items and specific IAS 39 mark-to-market movements

The table below presents the items of reconciliation between Net income Group shares before and after exceptional items and specific IAS 39 mark-to-market movements:

	30 June 2010	30 June 2009	31 Dec 2009
Mark-to-market on commodity contracts other than trading instruments	(57)	243	311
Impairment of property, plant and equipment, intangible assets and financial assets	—	—	(95)
Changes in the scope of consolidation	—	—	449
Income from operating activities	(57)	243	665
Financial expenses	—	(7)	(102)
Financial income	31	—	—
Net financial gain/(loss)	31	(7)	(102)
Income tax effect on the above items	9	(51)	(46)
Share in net income of associates	(22)	4	21
Total impact of exceptional items and specific IAS 39 mark-to-market movements recognised in net income	(39)	189	538
Group share	(16)	160	488
Non-controlling interests	(23)	29	50

5.2.1. Net financial gain/(loss)

Included in the net financial gain/(loss) are the following specific IAS 39 mark-to-market movements:

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
		In millions of pounds	
3.75% Convertible US Dollar Bonds 2023	8	(17)	(80)
3.25% Convertible Euro Bonds 2013	12	(12)	(25)
4.75% Convertible Euro Bonds 2015	16	18	(4)
Other specific IAS 39 mark-to-market movements	(5)	4	7
	31	**(7)**	**(102)**

5.2.2. Share in net income of associates

The Group owns 33% of Derwent Cogeneration Limited, a 214MW gas-fired power station which operates under a long-term steam offtake contract. On 30 June 2010, following the confirmation that the existing steam offtake contract would not be renewed, the Group assessed whether there had been any objective evidence that the carrying amount of its investment in Derwent Cogeneration Limited had been impaired. The result of this impairment test valuation was to recognise an impairment of £15 million.

Included within the share in net income of associates are post-tax specific IAS 39 mark-to-market movements of a loss of £7 million for the six months ended 30 June 2010 (six months ended 30 June 2009: gain of £4 million; year ended 31 December 2009: gain of £21 million).

5.3 Diluted earnings per share

In the accounting periods presented, the dilutive impact of the Group's Convertible Bonds has been treated as follows when calculating dilutive earnings per share after exceptional items and specific IAS 39 mark-to-market movements.

	Six months ended 30 June 2010	*Six months ended 30 June 2009*	*Year ended 31 December 2009*
3.75% Convertible US Dollar Bonds 2023	Dilutive	Dilutive	Anti-dilutive
3.25% Convertible Euro Bonds 2013	Dilutive	Anti-dilutive	Dilutive
4.75% Convertible Euro Bonds 2015	Dilutive	Dilutive	Dilutive

The treatment of whether potential Ordinary Shares are dilutive or anti-dilutive in the calculation of diluted earnings per share before exceptional items and specific IAS 39 mark-to-market movements is applied consistently with its determination in the calculation of diluted earnings per share after exceptional items and specific IAS 39 mark-to-market movements.

NOTE 6 – DIVIDENDS

At the Company's Annual General Meeting held on 18 May 2010, shareholders approved the payment of a final dividend of 8.28 pence per Ordinary Share to shareholders registered on the Company share register on 28 May 2010. This dividend amounted to £126 million and was paid on 24 June 2010. In respect of the year ended 31 December 2009 the total dividend per Ordinary Share was 12.53 pence (2008: 12.15 pence) and the total dividend paid was £190 million (2008: £185 million).

The Directors proposed an interim dividend of 4.39 pence per Ordinary Share to be paid on 28 October 2010 to shareholders registered on the Company share register on 1 October 2010.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010 additions amounted to £163 million, with major expenditure occurring at Hazelwood in Australia and at the gas plants under construction and the wind portfolio in Europe (six months ended 30 June 2009: £193 million; year ended 31 December 2009: £393 million).

NOTE 8 – EQUITY, LOANS AND BONDS

Loans and bonds

Draw downs and repayments of borrowings are presented in the consolidated statement of cash flows.

€250 million Senior Notes due 2017

On 11 May 2010, International Power Finance (2010) plc, a wholly owned subsidiary of International Power plc, received the proceeds from its €250 million 7.25% senior notes due 2017. The proceeds from the issue of the senior notes, before deducting debt issue costs, were €248 million (£213 million).

The senior notes are guaranteed on a senior unsecured basis by International Power plc and are listed on the official list of the UK Listing Authority for trading on the Professional Securities Market of the London Stock Exchange.

Upon a change of control, the senior notes may be redeemed at the holder's option at 101% of the principal amount plus accrued interest to the date fixed for redemption. Unless previously redeemed, the outstanding senior notes will be subject to a redemption price equivalent to their principal amount on maturity date of 11 May 2017.

Hazelwood Power Partnership

On 27 January 2010, Hazelwood Power Partnership, which owns the 1,688MW coal-fired Hazelwood power station located in Victoria, Australia completed the restructuring of its non-recourse debt of A$742 million (£415 million). The restructured facility has a maturity date of 30 June 2012.

ANP Funding 1

In December 2009, ANP Funding 1, a wholly owned subsidiary of International Power plc, repaid US$769 million (£464 million) of debt secured on the US merchant plants located in Texas and New England.

Share issues

Issues of International Power plc's Ordinary Shares are presented in the consolidated statement of cash flows. The Company has issued shares under employee share schemes during the period. The average number of shares during the period is presented in note 5.

NOTE 9 – ACQUISITIONS

Acquisition of development companies by IPA Wind Development, LLC

On 2 June 2010, IPA Wind Development, LLC. ('IPA Wind'), a wholly owned subsidiary of International Power plc, completed the acquisition of the entire issued and outstanding membership interests in nine nascent companies from Element Markets, LLC. The vendor has a call option over 30% of the project companies' equity. On completion, IPA Wind owned a development pipeline of wind businesses concentrated in Texas and Illinois. The results of the businesses have been consolidated as subsidiaries with effect from the date of completion using the acquisition method.

Other than an immaterial upfront cash payment, the purchase price is wholly contingent on future events. Transaction costs, which have been expensed, were immaterial.

The development pipeline of wind projects acquired has been classified as an intangible asset and fair valued at US$50 million (£33 million). The terms of the acquisition include consideration to be paid to the vendor contingent upon completion of identified milestones. These milestones include execution of interconnections agreements, receipt of proceeds from project financing, execution of power purchase agreements, and achievement of commercial operations. A liability of US$50 million (£33 million) was recognised for this contingent consideration at the date of acquisition based on an estimate of the probability of achievement of each of these milestones multiplied by the contractual payment obligation discounted to present value. Due to the proximity of the date of acquisition to the end of the reporting period, the fair values attributed to the acquired assets and liabilities are provisional and may be revised.

In the period from 2 June 2010 to 30 June 2010, IPA Wind did not contribute any revenue to the Group. It incurred an immaterial loss, which is included in the Group's results for the period. If the acquisition had taken place on 1 January 2010 the business would also not have contributed any revenue to the Group. It would also have incurred an immaterial loss.

NOTE 10 – NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2010		*Six months ended 30 June 2009*		*Year ended 31 December 2009*	
	Before tax amount	*Tax (expense)/ benefit*	*Before tax amount*	*Tax (expense)/ benefit*	*Before tax amount*	*Tax (expense)/ benefit*
			In millions of pounds			
Net (loss)/gain on cash flow hedges	(112)	8	153	(10)	205	(25)
Actuarial losses on defined benefit plans	(11)	3	(4)	1	(13)	4
Net exchange gain recognised on net investment hedges	61	(17)	92	(26)	58	(16)
Exchange gains/(losses) arising on translation of foreign operations	84	15	(452)	44	(233)	34
Reclassification adjustments relating to foreign operations disposed of during the period	—	—	—	—	(94)	—
Movements in other comprehensive income for the period	**22**	**9**	**(211)**	**9**	**(77)**	**(3)**

NOTE 11 – COMMITMENTS

Fuel purchase and transportation commitments

At 30 June 2010 the Group had commitments for the purchase of fuel and transportation services, some of which have minimum purchase undertakings, to which the own use treatment is applied under IAS 39, i.e. accounted for on an accruals basis. Based on contract provisions, which consist of fixed prices, subject to adjustment clauses in some cases, these minimum commitments are estimated to aggregate to £630 million expiring within one year, £2,319 million expiring after one and before five years and £1,893 million expiring after more than five years (30 June 2009: £715 million, £2,336 million and £1,930 million respectively; 31 December 2009: £642 million, £2,152 million and £1,244 million respectively).

Fuel and transport contracts, which are not treated as own use, are accounted for as derivative contracts.

Capital expenditure related commitments

Commitments relating to upgrade services under service concession arrangements, which are contracted but not provided and which will be recognised in the consolidated income statement when the expenditure is incurred, at 30 June 2010 is £76 million (30 June 2009: £3 million; 31 December 2009: £24 million).

Capital commitments contracted but not provided, which will be recognised as property, plant and equipment when the expenditure is incurred, at 30 June 2010 is £546 million (30 June 2009: £432 million; 31 December 2009: £199 million).

NOTE 12 – CONTINGENT LIABILITIES

There have been no changes in the contingent liabilities relating to legal proceedings or taxation matters to those reported in the 2009 *Annual Report*.

Various growth and expansion projects are supported by bonds, letters of credit and guarantees issued by the Group totalling £685 million (30 June 2009: £607 million; 31 December 2009: £590 million). Energy trading activities relating to merchant plant are supported by bonds, letters of credit and guarantees issued by the Group totalling £390 million (30 June 2009: £493 million; 31 December 2009: £282 million).

The Group's associates have various growth and expansion projects that are supported by bonds, letters of credit and guarantees. The Group's share of these bonds, letters of credit and guarantees is £44 million (30 June 2009: £54 million; 31 December 2009: £43 million). These obligations are normally secured by the assets of the respective associate. Any amounts guaranteed by International Power plc or any other Group subsidiary are included within bonds and guarantees disclosed above.

NOTE 13 – RELATED PARTY TRANSACTIONS

13.1 Compensation of key management personnel

The key management personnel of International Power plc comprise the Chairman, Executive Directors and Non-Executive Directors. During the six months ended 30 June 2010 the components of remuneration of key management personnel have not changed significantly from those previously reported for the year ended 31 December 2009.

13.2 Joint Ventures

13.2.1 Transportation contracts

In the normal course of business the Group has contracts in place in relation to fuel transportation with one of its joint ventures. During the period the Group incurred costs of £6 million (six months ended 30 June 2009: £5 million; year ended 31 December 2009: £10 million) in relation to these contracts.

13.3 Associates

13.3.1 Operations and maintenance contracts

In the normal course of business the Group has contracted to provide power station operation and maintenance services to associates. During the period the Group derived income of £42 million (six months ended 30 June 2009: £40 million; year ended 31 December 2009: £85 million) from these arrangements. Included in trade receivables is £3 million (30 June 2009: £2 million; 31 December 2009: £7 million) in relation to these contracts.

13.3.2 Emission certificates

In the normal course of business the Group has contracted to provide emission certificates to one of its associates. During the period the Group derived income of £5 million (six months ended 30 June 2009: £3 million; year ended 31 December 2009: £12 million) from these arrangements.

13.3.3 Retail supply contracts

In the normal course of business the Group has contracted to provide power and gas to associates involved in retail supply. During the period the Group derived income of £43 million (six months ended 30 June 2009: £43 million; year ended 31 December 2009: £82 million) from these arrangements. Included in trade receivables is £1 million (30 June 2009: £nil; 31 December 2009: £1 million) in relation to these contracts.

13.3.4 Development fee income

During the six months ended 30 June 2010 the Group received £11 million in development fees from one of its associates (six months ended 30 June 2010: £nil; year ended 31 December 2009: £nil).

NOTE 14 – EVENTS AFTER THE REPORTING PERIOD

The Finance Bill 2010 containing draft legislation for some of the proposals announced by the Chancellor in his 22 June 2010 Budget was published on 1 July 2010. The Finance Bill 2010 introduces a reduction in the rate of corporation tax from 28% to 27% from 1 April 2011.

As deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the end of the reporting period, the reduction in the corporate tax rate from 28% to 27% has not been taken into account in the calculation of the effective tax rate applied in these condensed interim financial statements.

Draft legislation was approved by the Italian Government on 30 November 2010 indicating that the level at which the regulator would support the green certificate (CV) price received by existing capacity would fall compared to the level supported under the current regime, and after 2015 existing plants would receive a feed in tariff. The pricing structure of the proposed feed in tariff has not been defined and the draft proposal still requires several further approvals before becoming law. If this draft regulation becomes law as currently drafted, it may have the impact of reducing the renewable subsidy for existing plants from 2011.

PART 8: GDF SUEZ ENERGY INTERNATIONAL FINANCIAL INFORMATION

Section A: Audit report on the historical combined financial information of GDF SUEZ Energy International for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009.

Deloitte & Associés has issued an unqualified audit opinion on the combined historical financial information for GDF SUEZ Energy International for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 which is set out on pages 184 and 185 of the Circular and incorporated by reference into this Prospectus.

Section B: Financial information for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009

The audited historical financial information incorporated by reference in this Section B of Part 8 (*GDF SUEZ Energy International Financial Information*) is audited and is prepared in accordance with the basis of combination described in note 1.1 of the audited historical financial information.

The Circular, which has been filed with the FSA, and is available as described in the section headed "*Documentation Incorporated by Reference*", contains information about the GDF SUEZ Energy International Division which is relevant to the Combination.

The table below sets out the sections of the Circular which contain the GDF SUEZ Energy International Division financial information incorporated by reference into, and forming part of, this document.

Information incorporated by reference into this document	*Page number in Circular*
For the 2009 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
Notes to the combined financial statements	85-183
Independent auditors' report	184-185

Information incorporated by reference into this document	*Page number in Circular*
For the 2008 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
Notes to the combined financial statements	85-183
Independent auditors' report	184-185

Information incorporated by reference into this document	*Page number in Circular*
For the 2007 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
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Section C: Audit report on the historical combined interim financial information of GDF SUEZ Energy International for the six month period ended 30 June 2010

Deloitte & Associés has issued an unqualified audit opinion on the combined historical financial information for GDF SUEZ Energy International for the six-month period ended 30 June 2010 which is set out on pages 275 and 276 of the Circular and incorporated by reference into this Prospectus.

Section D: Interim financial information for the six-month period ended 30 June 2010

The audited historical financial information contained in this Section D of this Part 8 (*GDF SUEZ Energy International Financial Information*) is audited and is prepared in accordance with the basis of combination described in note 1.1 of the audited historical financial information.

The Circular, which has been filed with the FSA, and is available as described in the section headed "*Documentation Incorporated by Reference*", contains information about the GDF SUEZ Energy International Division which is relevant to the Combination.

The table below sets out the sections of the Circular which contain the GDF SUEZ Energy International Division financial information incorporated by reference into, and forming part of, this document.

PART 9: UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION FOR THE ENLARGED INTERNATIONAL POWER GROUP

Section A: Unaudited *pro forma* combined financial information for the Enlarged International Power Group

Unaudited *pro forma* combined financial information for the Enlarged International Power Group is set out in section (A) of Part 7 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) of the Circular and is incorporated by reference into this Prospectus.

Section B: Accountant's report on the unaudited *pro forma* combined financial information for the Enlarged International Power Group

The accountant's report on the unaudited *pro forma* combined financial information for the Enlarged International Power Group is set out in section (B) of Part 7 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) of the Circular and is incorporated by reference into this Prospectus.

PART 10: DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

The International Power Directors

The International Power Directors and their current functions in the International Power Group are as follows:

Name	*Position*	*Date appointed to the International Power Board*	*Date of Expiry of Current Office*
Sir Neville Simms	*Chairman*	1 August 1998	31 December 2011
Philip Cox	*Chief Executive Officer*	2 October 2000	22 September 2011
Mark Williamson	*Chief Financial Officer*	11 December 2003	29 December 2017
Anthony Concannon	*Executive Director, Australia*	1 January 2004	17 December 2023
Bruce Levy	*Executive Director, North America*	2 June 2005	—[1]
Steve Riley	*Executive Director, Europe*	1 January 2004	—[2]
Ranald Spiers	*Executive Director, Middle East and Asia*	15 May 2008	10 June 2020
Tony Isaac	*Senior Independent Non-Executive Director*	2 October 2000	31 December 2011
Alan Murray	*Independent Non-Executive Director*	1 July 2007	AGM 2012
John Roberts	*Independent Non-Executive Director*	18 May 2006	AGM 2012
Struan Robertson	*Independent Non-Executive Director*	1 October 2004	AGM 2012
David Weston	*Independent Non-Executive Director*	1 August 2009	AGM 2012

(1) No termination date set out in service agreement. The service agreement allows for termination without notice by the company (subject to making a termination payment in certain circumstances, as further described in paragraph 10.1 of Part 12 (*Additional Information*) of this Prospectus) and 6 months' notice by the executive director.

(2) No termination date set out in service agreement. The service agreement allows for termination upon 12 months' notice by the company and 6 months' notice by the executive director.

Stephen Ramsay is International Power's Company Secretary.

The business address of each of the International Power Directors is 85 Queen Victoria Street, London EC4V 4DP.

Profiles of the International Power Directors

The names, business experience and principal activities outside of the International Power Group of each of the International Power Directors are set out below.

Sir Neville Simms

Sir Neville Simms (age 66) became a non-executive director of National Power in August 1998 and was appointed Chairman of International Power in October 2000. He is Deputy Chairman of Ashridge Management College, Chairman of the BRE Trust and Chairman of Equiniti Group Limited. Sir Neville was a non-executive director of the Bank of England from 1995 to 2002, Chairman of the Government's Sustainable Procurement Task Force from 2005 to 2007 and was a member of the President's Committee of the CBI from 1998 to 2009.

Philip Cox

Philip Cox (age 59) joined the Company on 1 May 2000 as Chief Financial Officer and was appointed Chief Executive Officer of International Power in December 2003. He is responsible for the overall management of the Company, and leading the Executive and Operational Teams in implementing the strategies approved by the International Power Board. Philip is a Chartered

Accountant and prior to joining the Company he was a Senior Vice President at Invensys. He is a non-executive director of Wm Morrison Supermarkets PLC and chairman of its audit committee, and is a member of the President's Committee of the CBI.

Mark Williamson

Mark Williamson (age 52) joined the Company in September 2000 as Group Financial Controller and was appointed Chief Financial Officer in December 2003. His responsibilities include financial control and reporting, tax and risk management. Mark is a Chartered Accountant with considerable international experience and prior to joining the Company he was at Simon Group plc, where he was the Group Financial Controller. He is a non-executive director of Imperial Tobacco plc and chairman of its audit committee.

Anthony Concannon

Anthony Concannon (age 47) was appointed to the International Power Board in January 2004 and is responsible for managing all aspects of performance in the Australian region including plant operations, finance, energy trading and business development. Anthony is a Chartered Engineer and joined the industry in 1982. He has previously worked in a number of business areas including power station operations, trading and international business development. Anthony has been a member of the Energy Supply Association of Australia since November 2005 and was appointed Chairman in December 2008.

Bruce Levy

Bruce Levy (age 55) was appointed to the International Power Board in June 2005, and is responsible for all aspects of performance in North America including plant operations, finance, energy trading and business development. Prior to joining the Company, he was Senior Vice President and Chief Financial Officer at GPU, Inc., a diversified energy production and distribution corporation. Bruce is a member of the Electric Power Supply Association, the national association of competitive power suppliers in the US and was its Chairman until January 2010.

Steve Riley

Steve Riley (age 49) was appointed to the International Power Board in January 2004 and is responsible for managing all aspects of performance in the European region including plant operations, finance, energy trading and business development.

Steve is a Chartered Engineer and joined the Company in 1985 holding senior positions in two UK power stations before being appointed Managing Director, Australia in January 2000. Steve is a non-executive director of Shanks Group plc, a leading European waste management company.

Ranald Spiers

Ranald Spiers (age 55) was appointed to the International Power Board in May 2008 as executive director, Middle East and Asia, based in Abu Dhabi and Singapore. He is responsible for managing all aspects of performance in these regions including plant operations, finance and the development, financing and construction of power and water desalination assets. Ranald joined National Power in 1993, having previously spent 12 years with the BP Group. Ranald is a Fellow of the Royal Society of Chemistry (FRSC) and a Chartered Chemist.

Tony Isaac

Tony Isaac (age 69) became a non-executive director of the Company in October 2000. He is the Senior Independent Director and was Chairman of the International Power Audit Committee until 1 April 2008. He was previously the Chief Executive of The BOC Group plc and is a non-executive director of Schlumberger Limited and Hogg Robinson Group plc.

Alan Murray

Alan Murray (age 57) became a non-executive director of the Company on 1 July 2007 and Chairman of the International Power Audit Committee on 1 April 2008. He was a member of the Managing Board of Heidelberg Cement AG until the end of 2008 and appointed to the Supervisory Board in January 2010. He was previously the Chief Executive of Hanson PLC, from April 2002 to October 2007. He joined Hanson in 1988 and held various positions prior to his appointment as Chief Executive, including Finance Director of Hanson PLC and Chief Executive of Hanson Building Materials America.

John Roberts

John Roberts (age 64) became a non-executive director of the Company on 18 May 2006. He is Chairman of the International Power Remuneration Committee. He was previously Chief Executive of United Utilities PLC, a position he held for over six years. Before that, he was Chief Executive of Hyder Utilities and of Manweb. He is a Fellow of the Royal Academy of Engineering, the Institution of Engineering and Technology and the Association of Chartered Certified Accountants. John is Chairman of the Royal Bank of Canada (Europe) Limited, Remote Energy Monitoring Holdings Limited and Halite Energy Group Limited and until October 2010, was Chairman of Viking Consortium Holdings Limited. John is also a non-executive director of BlackRock New Energy Investment Trust and the Ecofin Research Foundation.

Struan Robertson

Struan Robertson (age 61) became a non-executive director of the Company on 1 October 2004. He is Chairman of the Health, Safety and Environment Committee. He was Group Chief Executive of Wates Group Ltd until January 2004 following a 25 year career with BP where he was Chief Executive of BP Oil Trading International and Executive Chairman of BP Asia Pacific. He is currently a non-executive director at Forth Ports plc and Tomkins plc. He is the senior independent director of Salamander Energy plc and Henderson TR Pacific Investment Trust plc. Previously he was the senior independent director at WS Atkins plc.

David Weston

David Weston (age 52) became a non-executive director of the Company on 1 August 2009. He is a member of the Group Management Committee of Anglo American plc where he is Group Director of Business Performance and Projects, a position he has held since 6 November 2009, having previously been Anglo's Group Technical Director and Chief Executive of the Tarmac Group and Anglo Industrial Minerals. David is also a member of the Kumba Iron Ore Board. Prior to joining Anglo American in 2006, David spent 25 years with Shell and he held a number of senior management positions including President of Shell Canada Products, Chief Executive Officer of Shell Aviation Ltd., and Chairman and Chief Executive Officer of Shell Pakistan Ltd. He is a Chartered Engineer.

The Directors of the Enlarged International Power Group

On Admission of the New Ordinary Shares, the structure of the Enlarged International Power Board will be as follows:

Name	*Position*
Dirk Beeuwsaert	*Non-Executive Chairman (GDF SUEZ Appointed Director)*
Sir Neville Simms	*Deputy Chairman and Senior Independent Non-Executive Director*
Philip Cox	*Executive Director (CEO)*
Mark Williamson	*Executive Director (CFO)*
Guy Richelle	*Executive Director (COO)*
Bernard Attali	*Independent Non-Executive Director*
Sir Rob Young	*Independent Non-Executive Director*
Michael Zaoui	*Independent Non-Executive Director*
Tony Isaac	*Independent Non-Executive Director*
David Weston	*Independent Non-Executive Director*
Gérard Mestrallet	*GDF SUEZ Appointed Director*
Jean-François Cirelli	*GDF SUEZ Appointed Director*
Gérard Lamarche	*GDF SUEZ Appointed Director*

Sir Neville Simms, Philip Cox, Mark Williamson, Tony Isaac and David Weston will continue to serve as members of the Enlarged International Power Board following the Combination. The remainder of the Enlarged International Power Board will be comprised of the Proposed Directors, as set out below.

Profiles of the Enlarged International Power Directors

Dirk Beeuwsaert

Dirk Beeuwsaert (age 62) was appointed Executive Vice President of GDF SUEZ, in charge of Energy Europe and International in March 2009. He began his career in 1971 with the Belgian power company Intercom, where from 1971 to 1991 he held various supervisory and managerial positions at the Baudour, Ruien and Zwevegem power stations. Following the merger between Intercom, Unerg and EBES into Electrabel in 1990, he became Head of Electrabel's conventional generation, and in 1994 of generation for the company as a whole. He was also appointed to the Electrabel Management Committee, and as Chairman of the Board of Laborelec and Recybel, and director of several companies, including Synatom, Belgonucléaire, Twinerg (Luxembourg), Rosen and Alpenergie (Italy), and Electrabel Nederland.

Dirk became Chief Executive Officer of the Electricity & Gas International division of Tractebel (now GDF SUEZ Energy Europe & International) and member of the Tractebel General Management Committee in 2000. He was appointed Executive Vice President of SUEZ in charge of the international energy business line in 2003. He is also Chief Executive Officer of Electrabel and SUEZ-Tractebel, Chairman of GDF SUEZ Energy North America Inc., and Director of Tractebel Energia (Brazil) and Glow Energy (Thailand).

Dirk graduated from Ghent University in 1971 with a Degree in Electrical and Mechanical Engineering. In 1987, he attended the General Management Programme CEDEP at INSEAD, Fontainebleau.

Sir Neville Simms *– see above under the heading "Profiles of the International Power Directors".*

Philip Cox *– see above under the heading "Profiles of the International Power Directors".*

Mark Williamson *– see above under the heading "Profiles of the International Power Directors".*

Guy Richelle

Guy Richelle (age 55) is Chief Executive Officer and President of Middle East, Asia and Africa for GDF SUEZ Energy Europe & International.

After graduating from the Université de Liège in 1978 as Physics Engineer with a specialty in nuclear power, Guy worked for a number of major companies across the world, such as Westinghouse and Eskom. He also obtained a certification as Senior Reactor Operator in 1984 and a Management Diploma from the Université Catholique de Louvain in 1994.

In 1998, he joined the Electricity & Gas International division of Tractebel as Chief Executive Officer of UPC, the company operating the Al Manah power plant in Oman. He returned to Brussels in 2001 to work as a Business Developer for the Middle East region. In November 2003, with the opening of the office in Dubai, Guy became Chief Executive Officer of Tractebel Energy Middle East and Head of Business Development in the Middle East region. At the same time, he acted as General Delegate for SUEZ in the United Arab Emirates and Oman.

In January 2007, Guy became President and CEO of SUEZ Energy Asia and Regional Manager for SUEZ Energy International in the Middle East, Asia and Africa.

Bernard Attali

Bernard Attali is today Senior Advisor at TPG Capital. He has previously held the position of Chairman of the International Air Transport Association Executive Committee, CEO of Air France Group and Chairman of the Association of European Airlines. During his time with Air France, he oversaw the merger of Air France and the airline UTA, and the take over of Air Inter, the European domestic airline. He was also involved in setting up international alliances and the acquisition of stakes in Sabena (Belgium) and CSA (former Czechoslovakia) while building partnerships with Air Canada, Continental, Aeromexico, Air Vietnam and RAM.

Bernard has been a director of Ace Aviation Holdings Inc. and of Air Canada since 2006. Prior to that Bernard was a Vice-Chairman of Deutsche Bank Europe Investment Banking, CEO of Groupe des Assurances Nationales and Deputy CEO of DATAR. During the last twenty years, Bernard has been a member of the board of six French banks including Banque de l'Industrie Française, Crédit Industriel et Commercial, Société Générale and Banque Nationale de Paris.

Bernard achieved diplomas from the Institut d'Études Politiques of Paris and from the École Nationale d'Administration.

He is Commandeur de l'Ordre du Mérite and Commandeur de la Légion d'honneur.

Sir Rob Young

Sir Rob Young (age 65) has served on a number of boards and voluntary sector organisations since his retirement in 2003, including Aguas de Barcelona, Hirco plc, iC2 Capital, the Commonwealth War Graves Commission, the Calcutta Tercentenary Trust (as Chairman), the Raj Loomba Trust and the World Appreciation of Music.

Sir Rob spent his career in the Foreign and Commonwealth Office. His final post, from 1999 to 2003, was British High Commissioner to India. Between 1967 and 1999, Sir Rob's posts included Minister at the British Embassy in Paris and Deputy Under-Secretary of State at the Foreign and Commonwealth Office in London.

Sir Rob graduated from the University of Leicester in 1967 with a Bachelor's degree in French (1st class Honours).

Michael Zaoui

Michael Zaoui (age 53) is a former Vice Chairman of the Institutional Securities Group of Morgan Stanley, a position he held since September 2006. Retired in June 2008, after a 22 year career in investment banking, he ran European Mergers & Acquisitions for several years and was named Chairman of European Mergers & Acquisitions in 2001 until his retirement. In 2003 he also became a member of the newly formed Strategic Engagement Group within investment banking.

Michael has advised numerous clients on a broad range of transactions across industries principally in Europe and the US. Prior to his time at Morgan Stanley he was a strategy consultant with the Mac Group in London. He started his professional career with Banque Rothschild in Paris.

Since retiring he has been advising selected clients on strategic matters.

He graduated from the Institut d'Etudes Politiques de Paris in 1976. He also studied at the London School of Economics in 1978, earned a Masters and a Diplome d'Etudes Supérieures Specialisées in Law from the Université de Paris in 1979 and 1981 respectively, and received an MBA from Harvard University in 1983.

He is a Member of the Harvard Business School Board of Dean's Advisors and supports a variety of educational and charitable organisations.

Tony Isaac – see above under the heading "*Profiles of the International Power Directors*".

David Weston – see above under the heading "*Profiles of the International Power Directors*".

Gérard Mestrallet

Gérard Mestrallet (age 61) has held the position of Chairman and Chief Executive Officer of GDF SUEZ since SUEZ merged with Gaz de France in July 2008.

Gérard began his career with GDF SUEZ in 1984 when he joined Compagnie Financière de SUEZ as a project manager. In 1986, he was appointed Executive Vice-President for industrial affairs. In February 1991, Gérard was appointed Deputy Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de SUEZ and then, in June 1997, he was appointed Chairman of the Management Board of SUEZ Lyonnaise des Eaux. On 4 May 2001, Gérard was appointed Chairman and Chief Executive Officer of SUEZ, a position he held until he was appointed Chairman and Chief Executive Officer of GDF SUEZ at the time of the merger. Gérard is also a director of Saint-Gobain and President of the Association Paris EUROPLACE.

Gérard is a graduate of Ecole Polytechnique and Ecole Nationale d'Administration and recently received an honorary Doctor of Science degree from Cranfield University business school.

Jean-François Cirelli

Jean-François Cirelli (age 52) a former Chairman and Chief Executive Officer of Gaz de France, was appointed Vice Chairman and President of GDF SUEZ in July 2008.

Prior to his time with Gaz de France and then GDF SUEZ, Jean-François held management positions at the Treasury department of the Ministry of Economy and Finance from 1985 to 1995 before then becoming an advisor to the President of the French Republic for the period 1995 to 1997, following which he was made an economic advisor until 2002. In 2002, he was appointed Assistant Director of Staff to Prime Minister Jean-Pierre Raffarin, responsible for economic, industrial and social matters.

Jean-François is a graduate of the Institut d'Etudes Politiques de Paris and of the Ecole Nationale d'Administration. He also has a law degree.

Gérard Lamarche

Gérard Lamarche (age 49) has been Executive Vice-President and Chief Financial Officer of GDF SUEZ since July 2008.

He began his career in 1983, as a consultant at Deloitte Haskins & Sells. He joined Société Générale de Belgique as an investment manager in 1988, where he was later appointed controller and advisor for strategic operations and held this position from 1992 to 1995. In 1995, Gérard joined Compagnie de SUEZ as a project manager for the Chairman and Secretary of the Management Committee before becoming the Deputy Director responsible for Planning, Control and Accounting, then Secretary of the Investment Committee and Director and Chief Executive Officer for Finances of Nalco. In March 2004, he was appointed Chief Financial Officer of the SUEZ group, responsible for Financial Operations, Treasury, Taxes, Planning, Accounting and Control.

Gérard is an Economic Sciences graduate of Université de Louvain-la-Neuve, and completed training at INSEAD and Wharton International.

Senior Managers

On Admission of the New Ordinary Shares, the Senior Managers of the Enlarged International Power Group will be as follows:

Name	*Position*
Anthony Concannon	*Regional Director, Australia*
Steve Riley	*Regional Director, UK-Europe*
Ranald Spiers	*Regional Director, Asia*
Jan Flachet	*Regional Director, Latin America*
Shankar Krishnamoorthy	*Regional Director, Middle East*
Zin Smati	*Regional Director, North America*
Penny Chalmers	*Strategy & Communication*
Philip De Cnudde	*Business Development*
François Graux	*General Counsel*

Profiles of the Senior Managers

The names and business experience of the Senior Managers are set out below:

Anthony Concannon *– see above under the heading "Profiles of the International Power Directors".*

Steve Riley *– see above under the heading "Profiles of the International Power Directors".*

Ranald Spiers *– see above under the heading "Profiles of the International Power Directors".*

Jan Flachet

Jan Flachet (age 54) joined SUEZ Energy Latin America in 2003 and held the position of President and Chief Executive Officer until 2009 when he was appointed President and Chief Executive Officer of GDF SUEZ Energy Latin America. Jan is responsible for overseeing and managing all aspects of performance in the Latin America business, including plant operations, finance, energy trading and business development. He is also Chairman of Enersur S.A. and E-CL S.A. as well as Vice Chairman of Tractebel Energia S.A.

Prior to his time at SUEZ, Jan worked for Unerg in various positions related to electricity and distribution operations in and around Brussels from 1981 to 1989. In 1990, he joined Electrabel as District Head in charge of electricity, gas and television distribution operations for ten municipalities.

He went on to hold a number of positions within the SUEZ Group before being appointed Regional Manager for the Middle East, Eastern Europe and Africa in 2002 at SUEZ.

Jan is trained as an Electro-Mechanical Engineer at the University of Leuven (KUL) and in 1988, he took a Diploma in Management at UCL's Institute of Management and Administration. Jan also attended the General Management Programme, CEDEP, at INSEAD, Fontainebleau.

Shankar Krishnamoorthy

Shankar Krishnamoorthy (age 50) was appointed GDF SUEZ's Chief Executive Officer for the Middle East and North Africa in 2009 and he is responsible for overseeing and managing all aspects of performance in the Middle Eastern and North African areas, including plant operations, finance, energy trading and business development.

Shankar began his career with BHEL, the dominant Indian power equipment manufacturer and Crompton Greaves Limited. Shankar joined the GDF SUEZ Group in India in 1997 (becoming the Chief Executive Officer of Tractebel in India) and there he worked on South Asian projects for the SUEZ Group. He moved to SUEZ's Bangkok operations in 2002 and was responsible for the development of business in Asia and Southern Africa. Shankar has nearly 25 years of experience in the electricity industry. His experience includes construction, project management, business development and general management in the power industry. Prior to 31 December 2008, Shankar was the Chief Business Developer for GDF SUEZ Middle East and North Africa, Turkey and India. Shankar graduated as a Bachelor of Electrical Engineering with Honours.

Zin Smati

Zin Smati (age 53) was appointed President and Chief Executive Officer of GDF SUEZ Energy North America, Inc. in 2006 which is the business area responsible for managing the GDF SUEZ Group's position within the energy market in the United States, Canada and Mexico including power generation, natural gas, retail energy and related energy services.

Prior to joining the SUEZ group in 2001, he held a succession of executive positions with energy companies in the US and UK, including President and Chief Executive Officer of BP Amoco Global Power, Senior Vice President of Business Development and Marketing of Amoco Power, Vice President of worldwide power development of Arco Global Energy Ventures and Manager of International Development for National Power (based in the UK). Zin also serves as Delegate General of GDF SUEZ for North America and represents GDF SUEZ on important political and economic issues relating to the United States and Canada.

Zin graduated with a Bachelors degree in Electrical Engineering from Sheffield University, a Masters degree from Nottingham University, a PhD from Brunel University and an MBA from Henley Management College.

Penny Chalmers

Penny Chalmers (age 44) was appointed Director of Global Resources at International Power in 1 January 2003 and is responsible for human resources, information technology and corporate communications. She is also a member of International Power's Investment Committee.

In 1997, she joined International Power as business development manager where she worked on various development opportunities including the Thai National Power project. Prior to her time with International Power she worked for BG Plc where she was responsible for business development in both power generation and the gas pipeline business in Europe and Asia. She also spent five years with BP Plc as a commercial analyst.

Penny graduated with a Masters degree in Mathematics from Oxford University.

Philip De Cnudde

Philip De Cnudde (age 50) is Executive Vice President Business Development Oversight of GDF SUEZ Energy Europe & International. He began his career in 1985 at Santens Engineering Services in Oudenaarde, where he held a variety of engineering posts, before moving to the US in 1989 to become the General Manager overseeing the start-up of the Santens' American operations. In 1993, he returned to Belgium to work for Electrabel as Head of Operations at the Monceau-sur-Sambre power plant and in 1994 became Project Manager for SAP implementation in Electrabel's Generation Business Unit in Brussels. In 1998, he was appointed Head of the Internal Audit Department, before moving to Tractebel EGI (now GDF SUEZ Energy International) in 2001 to take up the position of Head of Business Control, Consolidation & Accounting. In 2007, Philip became Executive Vice

President Business Development Oversight for SUEZ Energy International, a position which he has held at GDF SUEZ Energy Europe & International level since July 2008.

Philip graduated in 1983 with a Master Degree in Electrical Engineering from the Ghent University, and took a further Degree in Operations Management in 1986. In 2000, he attended the General Management Programme CEDEP at INSEAD, Fontainebleau.

François Graux

François Graux (age 41) is General Counsel of GDF SUEZ Energy Europe & International. He began his career in 1993 as Attorney-at-Law in the Stibbe Simont Monahan Duhot law firm in Brussels. In 1997, he joined Tractebel as Legal Counsel working on generation and transmission operations. In 2000, he moved to Tractebel Asia (Bangkok) to become Senior Legal Counsel and General Counsel for the Asia-Pacific region. François returned to Brussels in 2003 and became General Counsel of Suez Energy International. In 2008, he took up his current position of General Counsel for GDF SUEZ Energy Europe & International.

François attended the University of Louvain where he gained a degree in Law in 1993. In 2006, he attended the General Management Programme CEDEP at INSEAD in France.

Corporate governance

The Combined Code

The International Power Board and the Proposed Directors are fully committed to high standards of corporate governance and corporate responsibility throughout the Enlarged International Power Group. The principal governance rules applying to UK companies listed on the official list of the UK Listing Authority are contained in the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council and, in respect of accounting periods of the Company commencing on or after 29 June 2010, the UK Corporate Governance Code (2010) published under the authority of the Financial Services Authority (together the "**Combined Code**"). References to provisions in this Part 10 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus are to provisions of the UK Corporate Governance Code (2010). The International Power Board and the Proposed Directors support the principles of corporate governance contained in the Combined Code.

International Power believes that, save as set out below, as at the date of this Prospectus, it is in compliance with the provisions of the Combined Code:

- Excluding the chairman, there are more executive directors than non-executive directors on the International Power Board. The International Power Board has reviewed the structure of the International Power Board and has concluded that there is no need to change the current structure.
- The senior independent director (Tony Isaac) does not have a contact programme to communicate with institutional investors, primarily to avoid potential confusion over channels of communication and because the International Power Board considers this unnecessary.

It is the intention of the International Power Board and the Proposed Directors that, upon the appointment of the Proposed Directors and the resignation of the specified International Power Directors to occur on Admission, International Power will be in compliance with the provisions of the Combined Code, save in relation to the following matters:

- Electrabel, a wholly-owned subsidiary of GDF SUEZ, will have the right to appoint a non-independent Chairman of International Power and, hence, on appointment that director will not fulfil the independence criteria set out in provision B.1.1 of the Combined Code as required by provision A.3.1 of the Combined Code.
- Provision B.2.1 of the Combined Code provides that a Nomination Committee should lead the process for board appointments and make recommendations to the board. However, Electrabel, a wholly-owned subsidiary of GDF SUEZ, will have enshrined rights under the Relationship Agreement to appoint some of the directors to the Enlarged International Power Board and to committees of the Enlarged International Power Board.
- Provision D.2.1 of the Combined Code provides that the Remuneration Committee should be made up entirely of independent non-executive directors. In addition, the chairman of the Board may also be a member of the Remuneration Committee. On Admission, the International Power

Remuneration Committee will comprise five members with a majority (including the International Power Remuneration Committee chairman) being independent non-executive directors.

- Provision C.3.1 of the Combined Code provides that the Audit Committee should be made up entirely of independent non-executive directors. On Admission, the International Power Audit Committee will comprise four members with a majority (including the International Power Audit Committee chairman) being Independent Non-Executive Directors.

The corporate governance arrangements referred to above are considered by the International Power Board and the Proposed Directors to be appropriate given the shareholding structure of International Power and the terms of the Relationship Agreement that will apply following Admission.

International Power Board Committees

International Power Audit Committee

Role of the International Power Audit Committee

The International Power Audit Committee manages the relationship with the external auditor. The International Power Audit Committee annually reviews and approves the terms of the appointment of the external auditor and its engagement. It fixes the level of the auditor's remuneration (ensuring it is appropriate and does not compromise the effectiveness of the audit) and reviews the scope and adequacy of the audit of the annual International Power Group consolidated financial statements.

The International Power Audit Committee also puts in place policies and procedures to ensure that the external auditor remains independent and reviews them and the auditor's independence and objectivity each year. This review includes the overall relationship between the auditor and the Company, including the safeguards established by the external auditor for maintaining independence, the rotation of partners and staff who work on the audit, and the level and nature of non-audit services provided by the auditor.

The International Power Audit Committee reviews all financial reports including consideration of the International Power Group's accounting policies and major judgemental areas. The International Power Audit Committee reviews the effectiveness of the International Power Group's systems of internal control, and reviews the scope (and the annual plan) of the internal audit function and satisfies itself of its adequacy, particularly in terms of resources and performance against its annual plan. In addition, it reviews the report prepared by the International Power Risk Committee to ensure all relevant risks are addressed in these external and internal audit processes.

Current members of the International Power Audit Committee

The International Power Audit Committee comprises all the independent non-executive directors of the Company. The chairman of the International Power Audit Committee Chairman is Alan Murray. Alan is a Fellow of the Chartered Institute of Management Accountants and was previously Chief Financial Officer of Hanson PLC. The Company Secretary acts as secretary to the Audit Committee. The other members of the International Power Audit Committee are Tony Isaac, John Roberts, Struan Robertson and David Weston.

During the financial year ended 31 December 2009, time was set aside for the International Power Audit Committee to meet the external auditor and the Head of Internal Audit without Executive Management present. In addition to the members of the International Power Audit Committee, regular attendees at the International Power Audit Committee meetings included representatives of the external auditor, the Chairman, the CEO, the CFO, other executive directors, the Group Controller and the Head of Internal Audit.

Members of the International Power Audit Committee on Admission

On Admission, the members of the International Power Audit Committee will be Tony Isaac (chairman of the International Power Audit Committee and Independent Non-Executive Director), Sir Neville Simms (Independent Non-Executive Director), Michael Zaoui (Independent Non-Executive Director) and Gérard Lamarche (GDF SUEZ Appointed Director). It is anticipated that the International Power Audit Committee will continue to perform broadly similar functions to those set out above in respect of the Enlarged International Power Group.

International Power Remuneration Committee

Role of the International Power Remuneration Committee

The International Power Remuneration Committee is responsible for:

- the establishment of the remuneration policy for executive directors;
- the determination of the compensation and terms of employment (including any termination arrangements) of executive directors and other senior executives of the Company;
- approving all Company share plans, including the establishment and measurement of all performance conditions, and pension plan arrangements; and
- monitoring the total compensation of executive directors in light of International Power Group and individual performance.

In undertaking its responsibilities, the International Power Remuneration Committee is guided by the strategic priorities of the International Power Group and the measures used to monitor financial performance. The International Power Remuneration Committee also takes account of the changing nature of the business and its markets both in the UK and internationally.

Current members of the International Power Remuneration Committee

The International Power Remuneration Committee comprises the independent non-executive directors of the Company and the chairman. The chairman of the Remuneration Committee is John Roberts. The Company Secretary acts as secretary to the International Power Remuneration Committee and the Head of Global Resources acts as adviser to the International Power Remuneration Committee. The other members of the International Power Remuneration Committee are Sir Neville Simms, Tony Isaac, Alan Murray, John Roberts, Struan Robertson and David Weston.

The International Power Remuneration Committee has access to external independent remuneration advice. Towers Watson provides specialist advice on executive director and senior management remuneration to the Remuneration Committee.

Members of the International Power Remuneration Committee on Admission

On Admission, the members of the International Power Remuneration Committee will be Bernard Attali (chairman of the International Power Remuneration Committee and Independent Non-Executive Director), David Weston (Independent Non-Executive Director), Sir Rob Young (Independent Non-Executive Director), Dirk Beeuwsaert (GDF SUEZ Appointed Director) and Gérard Lamarche (GDF SUEZ Appointed Director). It is anticipated that the International Power Remuneration Committee will continue to perform broadly similar functions to those set out above in respect of the Enlarged International Power Group.

International Power Appointments Committee

Role of the International Power Appointments Committee

The International Power Appointments Committee is responsible for matters of management succession and the identification and appointment of International Power Directors. It also reviews the International Power Board structure, size and composition, and makes recommendations to the International Power Board with regard to changes that are deemed desirable.

Current members of the International Power Appointments Committee

The International Power Appointments Committee comprises the chairman and all of the independent non-executive directors of the Company. The chairman of the International Power Appointments Committee is Sir Neville Simms. The Company Secretary acts as secretary to the International Power Appointments Committee. The other members of the International Power Appointments Committee are Tony Isaac, Alan Murray, John Roberts, Struan Robertson and David Weston.

Members of the International Power Appointments Committee on Admission

On Admission, the members of the International Power Appointments Committee will be Sir Neville Simms (chairman of the International Power Appointments Committee and Independent Non-Executive Director), Bernard Attali (Independent Non-Executive Director), Tony Isaac (Independent Non-Executive Director), Dirk Beeuwsaert (GDF SUEZ Appointed Director) and Gérard Lamarche (GDF SUEZ Appointed Director). Save as provided for in the Relationship Agreement in relation to the size, structure and composition of the Enlarged International Power Board, it is anticipated that the International Power Appointments Committee will continue to perform the functions set out above in respect of the Enlarged International Power Group.

Independence of Independent Non-Executive Directors

Each of the Independent Non-Executive Directors is considered to be independent for the purposes of the Combined Code.

Sir Neville Simms and Tony Isaac have each served on the International Power Board for more than nine years and, in the case of Sir Neville, he has also been non-executive chairman of International Power since 2000. Each of Sir Neville and Tony Isaac continues to be effective and to demonstrate commitment to the role and is regarded as being independent in character and judgement. Therefore, each of them is considered to be independent for these purposes.

Michael Zaoui's brother, Yoel, is head of European Investment Banking at Goldman Sachs, one of the financial advisers to GDF SUEZ in connection with the Transaction. Notwithstanding this relationship, Michael is considered to be independent in character and judgement and, accordingly, eligible for appointment as an Independent Non-Executive Director.

It is expected that each of the Enlarged International Power Directors will be proposed for re-election at the annual general meeting to be held in 2011 and, in accordance with amendments made to the Combined Code in 2010, each of the Enlarged International Power Directors will be subject to annual re-election thereafter.

PART 11: TAXATION

General

The following statements do not constitute tax advice and are intended only as a general and non-exhaustive guide to current UK tax law and to the current published practice of HMRC as at the date of this Prospectus, each of which may be subject to change at any time, possibly with retrospective effect. The statements relate only to certain limited aspects of the UK taxation treatment of holding and disposing of Ordinary Shares. They are intended to apply only to Shareholders who are resident (and, in the case of individuals, ordinarily resident and domiciled) in the UK for UK tax purposes, (except insofar as express reference is made to the treatment of non UK residents) who hold their Ordinary Shares as investments (other than under an individual savings account) and who are the absolute beneficial owners of their Ordinary Shares and any dividends paid in respect of them. The statements are not addressed to certain categories of shareholders which are subject to special rules, including: (i) Shareholders who own (or are deemed to own) 10 per cent. or more of the voting power of the Company or are connected with the Company or the GDF SUEZ Group or the International Power Group; (ii) special classes of Shareholders such as, for example, traders, dealers in securities, broker-dealers, intermediaries, banks, financial institutions, investment companies, tax-exempt companies, insurance companies and collective investment schemes; (iii) Shareholders who hold Ordinary Shares as part of hedging or conversion transactions; or (iv) Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment or Shareholders who are or have been officers or employees of the Company or a company forming part of the GDF SUEZ Group or the International Power Group. The statements do not describe the gift or inheritance tax consequences of holding or disposing of Ordinary Shares.

Shareholders who are in any doubt about their taxation position and Shareholders who are not resident for tax purposes solely in the UK should consult their own professional advisers.

Dividends

The following paragraphs consider certain limited aspects of the UK taxation treatment of dividends paid by the Company, including the Special Dividend.

Under current UK tax law, the Company will not be required to withhold tax at source from dividends paid on the Ordinary Shares.

Individuals

An individual Shareholder who is ordinarily resident and domiciled in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "**gross dividend**") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the cash dividend received).

A UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit. A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the gross dividend at the rate of 10 per cent. so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. to the extent that such sum, when treated as the top slice of such Shareholder's income, falls above the threshold for higher rate income tax. A UK resident individual Shareholder liable to income tax at the new 50 per cent. additional rate will be subject to income tax on the gross dividend at 42.5 per cent. to the extent that such sum, when treated as the top slice of such Shareholder's income, falls above the threshold for additional rate income tax. However, a Shareholder liable to income tax at the higher rate or additional rate will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that a Shareholder liable to income tax at the higher rate will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is equal to 25 per cent. of the cash dividend received) and a Shareholder liable to tax at the additional rate will have to account for additional tax equal to 32.5 per cent. of the gross dividend (which is equal to approximately 36.1 per cent. of the cash dividend received).

Companies

A corporate Shareholder resident in the UK for tax purposes will *prima facie* be subject to UK corporation tax (generally at a rate of 28 per cent.) on any dividend received from the Company unless (subject to special rules for such Shareholders that are small companies) certain conditions for exemption are satisfied. The exemption is of wide application and it is expected that corporate Shareholders which are within the charge to UK corporation tax will generally not be subject to UK corporation tax on dividends received from the Company unless certain anti-avoidance provisions apply. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Other UK Shareholders

Other UK Shareholders which are not generally liable to UK tax on dividends, including pension funds and charities, will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

Non-UK resident Shareholders

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from International Power.

Disposal of Ordinary Shares

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident or, in the case of an individual, ordinarily resident, in the UK for UK tax purposes may, depending on the Shareholder's particular circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax on chargeable gains or UK capital gains tax as the case may be.

An individual Shareholder who, for a period of less than five years of assessment either has ceased to be resident and ordinarily resident for UK tax purposes in the UK or has become resident in a territory outside the UK for the purposes of double taxation relief arrangements and who disposes of the Ordinary Shares during that period, may be liable on his or her return to the UK, or upon him or her ceasing to be resident in a territory outside the UK for the purposes of double taxation relief arrangements, to UK capital gains tax on any chargeable gain realised on such disposal. Nothing in any double taxation relief arrangements prevents such an individual from being subject to UK capital gains tax in such circumstances.

Stamp duty and SDRT

Except in relation to depositary and clearance services (to which special rules may apply), no UK stamp duty or SDRT will arise on the issue of Ordinary Shares in registered form.

Transfers on sale of Ordinary Shares by written instrument of transfer are generally subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration for transfer (rounded up to the next £5). The purchaser normally pays the stamp duty. There is an exception if the amount or value of the consideration given does not exceed £1,000 and the instrument of transfer contains a statement that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the amount or value, or the aggregate amount or value, of the consideration exceeds £1,000.

An agreement to transfer shares or any interest in Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, for which the purchaser will generally be liable. If a duly stamped transfer instrument in respect of the agreement is produced within six years of the date of which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable and otherwise the SDRT charge is cancelled.

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

The above statements in this section are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

PART 12: ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Directors, the Proposed Directors and International Power accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors, the Proposed Directors and International Power (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 For the purpose of Prospectus Rule 5.5.3R(2)(f) of the UK Listing Authority, Deloitte & Associés is responsible for the audit reports on the historical combined financial information of GDF SUEZ Energy International referred to in Sections A and C of Part 8 (*GDF SUEZ Energy International Financial Information*) and incorporated by reference into this Prospectus and declares that it has taken all reasonable care to ensure that the information contained in these reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

1.3 For the purpose of Prospectus Rule 5.5.3R(2)(f) of the UK Listing Authority, KPMG Audit Plc is responsible for the accountant's report on the unaudited *pro forma* combined financial information for the Enlarged International Power Group referred to in Section B of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

International Power is domiciled in the United Kingdom and was incorporated and registered in England and Wales on 1 April 1989 with registered number 2366963. International Power is a public company limited by shares and its registered office is at Senator House, 85 Queen Victoria Street, London EC4V 4DP. The telephone number of International Power's registered office is +44 (0) 20 7320 8600. The principal legislation under which International Power operates, and pursuant to which the Existing Ordinary Shares have been, and the New Ordinary Shares will be, created are the Companies Acts and regulations made thereunder.

3. INFORMATION ON THE SHARE CAPITAL

3.1 The issued and fully paid share capital of International Power as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus) is as follows:

	Issued and fully paid	
	Number	*Nominal Amount (£)*
Ordinary Shares of 50p each	1,526,965,669[1]	763,482,834.5[1]
Deferred Shares of 1p each[2]	21[1]	0.21[1]

Note:

(1) No Shares are held in treasury.

(2) The Deferred Shares were issued to ensure the demerger of International Power and Innogy in 2000.

3.2 The Existing Ordinary Shares are admitted to the Official List and admitted to trading on the Main Market of the London Stock Exchange.

3.3 Other than the Convertible Bonds, International Power has no convertible securities, exchangeable securities or securities with warrants in issue.

3.4 The approximate issued and fully paid share capital of International Power on Admission will be as follows:

	Issued and fully paid	
	Number	*Nominal Amount (£)*
Ordinary Shares of 50p each	5,081,313,625[(1)]	2,540,656,812.5[(1)]
Deferred Shares of 1p each	21	0.21

Note:

(1) Based on International Power's issued share capital as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus) and 3,554,347,956 New Ordinary Shares being issued in connection with the Combination and assuming that no options are exercised or shares issued under the International Power Share Schemes or shares issued on conversion of the Convertible Bonds between the date of this document and Admission.

3.5 The following table shows the changes to the issued share capital of International Power which have occurred between 31 December 2006 and 17 December 2010 (the latest practicable date prior to the date of this Prospectus):

	Issued Share Capital	
Ordinary Shares	*Number of Shares*	*Nominal Value (£)*
At 31 December 2006	**1,492,052,910**	**746,026,455**
Issue of shares under Executive Share Option Plan	7,826,019	3,913,009.5
Issue of shares under Sharesave Plan	830,476	415,238
Issue of shares under Performance Share Plan	1,230,108	615,054
At 31 December 2007	**1,501,939,513**	**750,969,756.5**
Issue of shares under Executive Share Option Plan	3,400,824	1,700,412
Issue of shares under Sharesave Plan	2,511,389	1,255,694.5
Issue of shares under Performance Share Plan	1,621,671	810,835.5
Issue of shares under 3.75 per cent. Convertible US Dollar Bonds due 2023	9,219,227	4,609,613.5
At 31 December 2008	**1,518,732,624**	**759,366,312**
Issue of shares under Executive Share Option Plan	236,610	118,305
Issue of shares under Sharesave Plan	1,287,918	643,959
Issue of shares under Performance Share Plan	2,110,587	1,055,293.5
At 31 December 2009	**1,522,367,739**	**761,183,869.5**
Issue of shares under Executive Share Option Plan	4,544,958	2,272,479
Issue of shares under Sharesave Plan	52,564	26,282
Issue of shares under 3.75 per cent. Convertible US Dollar Bonds due 2023	408	204
At 17 December 2010	1,526,965,669	763,482,834.5

3.6 **Existing Shareholder Authorities**

At the AGM held on 18 May 2010, International Power Shareholders approved resolutions (based on the issued share capital of International Power as at 10 March 2010, the latest practicable date prior to the publication of International Power's Notice of AGM) to:

(a) allot shares in International Power or grant rights to subscribe for or to convert any security into shares in International Power up to a nominal amount of £253,749,642 (representing approximately one third of International Power's issued share capital);

(b) allot equity securities up to a nominal amount of £507,499,284 (representing approximately two-thirds of International Power's issued share capital) in connection with a rights issue;

(c) allot equity securities for cash, free of pre-emption rights up to a nominal amount of £38,062,446 (representing approximately 5 per cent. of International Power's issued share capital); and

(d) purchase a maximum of 152,249,785 ordinary shares of 50p each (representing approximately 10 per cent. of International Power's issued share capital).

3.7 Resolutions Proposed at the General Meeting

The Notice convening the General Meeting, at which the Resolutions summarised below were proposed, is set out in Part 11 (*Notice of General Meeting*) of the Circular. The Resolutions were required in order to enable the Company to implement the Combination and, accordingly, the Combination was conditional on such Resolutions being passed. The full text of the Resolutions is set out in the Notice of General Meeting.

Resolution 1 was proposed as an ordinary resolution and proposed that:

(a) the Combination be approved and that the International Power Board be authorised to take all steps and enter into all agreements necessary or desirable to implement the Combination; and

(b) the International Power Board be authorised to allot the New Ordinary Shares pursuant to the terms of the Merger Deed.

Due to the size of GDF SUEZ Energy International when compared with the size of the International Power Group, the Combination was classified as a reverse takeover for the purposes of the Listing Rules. As such, Resolution 1 required the approval of the Shareholders by way of a simple majority of those Shareholders present and voting (whether in person or by proxy) at the General Meeting. Resolution 1 was approved by the requisite number of Shareholders at the General Meeting.

Resolution 2 proposed that the grant by the Panel of the Rule 9 Waiver be approved. Resolution 2 was proposed as an ordinary resolution and was taken on a poll. This Resolution was approved by Independent Shareholders who together represented a simple majority of the Ordinary Shares held by Independent Shareholders present and voting (whether in person or by proxy) at the General Meeting. Resolution 2 was conditional on Resolution 1 being duly passed.

4. DESCRIPTION OF THE NEW ORDINARY SHARES AND EXISTING ORDINARY SHARES

The Existing Ordinary Shares are and the New Ordinary Shares will be denominated in sterling and will comprise a single class of ordinary shares with a nominal value of 50 pence each. Other than in respect of the Special Dividend (which shall not be payable in respect of the New Ordinary Shares), each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each Existing Ordinary Share, as set out in International Power's Articles of Association (which are described in paragraph 5 of Part 12 (*Additional Information*) below).

5. ARTICLES OF ASSOCIATION

The following is a summary of International Power's Articles of Association which were adopted by special resolution passed on 13 May 2008 (as amended by a special resolution passed on 18 May 2010), and contain (amongst others) provisions as set out below. Other than in paragraph 5.3 of Part 12 (*Additional Information*) below, the following summary of the Articles of Association relates to the rights attaching to the Ordinary Shares.

5.1 Objects

The Articles of Association do not contain an objects clause, therefore International Power's objects are unlimited.

5.2 Share rights

Subject to the Companies Acts and relevant authority of International Power in general meeting required by the Articles and the Companies Acts, the International Power Board has general and unconditional authority to allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of unissued shares (whether forming part of the original or any increased capital) or rights to subscribe for or convert any security into shares, but no share may be issued at a discount. Subject to the Companies Acts and the rights attached to existing shares, redeemable shares may be issued, and the directors may determine the terms, conditions and manner of redemption of any such shares.

5.3 Deferred shares

Subject to the Companies Acts and to the rights attached to Ordinary Shares, the Deferred Shares have the following rights:

(a) the holder(s) of the Deferred Shares shall not be entitled to receive a dividend nor to have any other right of participation in the profits of International Power;

(b) the holder(s) of the Deferred Shares shall have no right to attend or vote at any general meeting of International Power; and

(c) on a return of capital on the winding-up of International Power or otherwise, the holder(s) of the Deferred Shares shall be entitled, subject to the payment to the holders of all other classes of shares of the amount paid up on such shares, to a repayment of the capital paid up on the Deferred Shares, but shall have no further rights of participation in the assets of International Power.

5.4 **Voting rights**

Every member present in person or by proxy at a general meeting or class meeting has, upon a show of hands, one vote, and every member present in person or by proxy has, upon a poll, one vote for every share held by him. No member is entitled to vote at any general meeting or class meeting in respect of any share held by him if a call or other amount due and payable in respect of that share remains unpaid or if a member has been served with a section 793 notice (as defined in the Articles) after failure to provide International Power with information concerning the default shares (as defined in the Articles) required to be provided under the Companies Acts. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall not be entitled to a casting vote.

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) relating to a mental disorder may vote (whether on a show of hands or on a poll) by any person authorised to do so on that member's behalf by such court. Such authorised person may, on a poll, also vote by proxy.

5.5 **Dividends and other distributions**

Subject to the Companies Acts and the Articles, International Power may by ordinary resolution declare dividends not exceeding the amount recommended by the International Power Board. Subject to the Companies Acts, the International Power Board may declare and pay interim dividends (including any fixed rate dividend) if it can be justified by the profits of International Power available for distribution. If the International Power Board acts in good faith, it is not liable for losses of the holders of shares with preferred rights arising from the lawful payment of an interim dividend on shares which rank after those shares with preferred rights.

International Power may withhold payment of all or any part of any dividends or other amounts payable in respect of the default shares from a person who holds 0.25 per cent. or more in nominal value of the issued shares of a class, if such a person has been served with a section 793 notice after failure to provide International Power with information concerning the default shares required to be provided under the Companies Acts.

Except as otherwise provided by the rights attaching to, or the terms of issue of, shares, a dividend shall be declared and paid according to the amounts paid up on the shares during any period in respect of which the dividend is paid, but no amount paid up on a share in advance of a call may be treated for these purposes as paid up on the share. Dividends may be declared or paid in any currency.

Subject to the Companies Acts and the Articles, the International Power Board may, if authorised by an ordinary resolution of International Power, allot to those holders of a particular class of shares who have elected to receive further shares of that class or ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend specified by the resolution.

Any unclaimed dividend, interest or other amount payable by International Power in respect of a share may be invested or otherwise made use of by the International Power Board for the benefit of International Power until claimed. Any dividend unclaimed for a period of 12 years from the date it was declared or became due for payment is forfeited and ceases to remain owing by International Power and shall revert to International Power. The payment of an unclaimed dividend, interest or other sum payable by International Power in respect of a share into a separate account shall not render International Power a trustee of such sum.

International Power is not obliged to send or transfer a dividend or other amount payable in respect of any shares if either (i) on two consecutive occasions, the cheque, warrant or money order is returned undelivered or remained uncashed, or a transfer made by a bank or other funds transfer system is not accepted, or (ii) on one occasion, the cheque, warrant or money order is returned undelivered or remained uncashed or transfer is not accepted and reasonable inquiries have failed to establish another address or account of the holder, until the holder notifies International Power of an address or account to be used for that purpose.

No dividend or other amount payable by International Power in respect of a share shall bear interest against International Power (unless otherwise provided by the rights attached to the share). The International Power Board may deduct from any dividend or other amounts payable to a person in respect of a share amounts due from him to International Power (on account of a call or for any other reason in relation to the shares).

Subject to the Articles, the International Power Board may, with the prior authority of an ordinary resolution of International Power, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of another company.

Where any difficulty arises in regard to the distribution, the International Power Board may settle it as it thinks fit, and in particular, without limitation, may (i) issue fractional certificates (or ignore fractions), (ii) fix the value for distribution of the specific assets (or any part of them), (iii) decide that a cash payment be made to a member based on the value that the International Power Board has fixed, and (iv) vest assets in trustees on trust for the persons entitled to the dividend as seems expedient to the International Power Board.

International Power may pay any dividend, interest or other amount payable in respect of a share (i) in cash, (ii) by cheque, warrant or money order, (iii) by a bank or other funds transfer system, (iv) if the International Power Board so decides, by means of a relevant system in respect of an uncertificated share, or (v) by such other method as the person entitled to the payment may in writing direct and the International Power Board may agree. Every cheque, warrant or money order sent by post is sent at the risk of person entitled to the payment. If the payment is made by bank or other funds transfer, by means of a relevant system or by another method at the discretion of the person entitled to payment, International Power is not responsible for amounts lost or delayed in the course of making that payment. In the case of joint holders of shares, International Power may pay any dividend, interest or other amount to any one joint holder and such holder may give an effective receipt for the payment.

5.6 Variation of rights

Subject to the Companies Acts, rights attached to any class of shares may be varied in such manner as may be provided by those rights, or in the absence of any such provision, with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of that class of shares validly held in accordance with the Articles.

The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by International Power of its own shares.

5.7 Transfer of shares

Form

Uncertificated shares of a class are not to be regarded as forming a separate class from certified shares of that class. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form the transfer of title to shares by means of a relevant system and the Uncertificated Securities Regulations 2001 (as amended from time to time) (the "**Uncertificated Securities Regulations**").

Transfer

A member may transfer all or any of his certificated shares by instrument of transfer in writing in any usual form or in another form approved by the International Power Board or, in the case of any uncertificated shares, in accordance with the Uncertificated Securities Regulations.

The instrument shall be executed by or on behalf of the transferor and (in the case of a partly-paid share) by or on behalf of the transferee and, subject to the provisions of the Uncertificated Securities Regulations, the transferor is deemed to remain the holder until the transferee's name is entered into the register.

Rights to refuse registration

Subject to the Articles, shares of International Power are free from any restriction on transfer. In exceptional circumstances approved by UK Listing Authority, the International Power Board may refuse to register the transfer of certificated shares **provided that** such refusal would not disturb the market in those shares. Subject to the requirements of the listing rules of the UK Listing Authority, the International Power Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which International Power has a lien. The International Power Board may also refuse to register a transfer of a certificated share unless all of the following conditions are satisfied:

(a) it is in respect of only one class of share;

(b) it is in favour of not more than four joint transferees;

(c) it is duly stamped (if required); and

(d) it is delivered for registration to the place where the register is situated for the time being or such other place as the International Power Board may decide, accompanied by the relevant share certificate and such other evidence as the International Power Board may reasonably require to prove the right to transfer.

If the International Power Board refuses to register the transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with International Power, send notice of the refusal to the transferee together with its reasons for refusal. An instrument of transfer which the International Power Board refuses to register shall (except in the case of fraud) be returned to the person depositing it. Subject to the Articles, International Power may retain all instruments of transfer which are registered.

In accordance with and subject to the provisions of the Uncertificated Securities Regulations, the operator of the relevant system ("**Operator**") shall register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form unless the Uncertificated Securities Regulations permit the Operator of the relevant system to refuse to register such transfer in certain circumstances in which case the said Operator may refuse such registration.

In accordance with the Uncertificated Securities Regulations, if the Operator of the relevant system refuses to register the transfer of an uncertificated share in the circumstances or of any such uncertificated renounceable right of allotment it shall, as soon as practicable and in any event within the time period stipulated by the Uncertificated Securities Regulations, send notice of the refusal to the transferee.

In accordance with and subject to the provisions of the Uncertificated Securities Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form thereafter, International Power as participating issuer shall register the transfer in accordance with the relevant Operator-instruction, but so that International Power may refuse to register such a transfer in any circumstance permitted by the Uncertificated Securities Regulations.

In accordance with the Uncertificated Securities Regulations, if International Power as participating issuer refuses to register the transfer of title to an uncertificated share transferred by means of a relevant system to a person who is to hold such share in certificated form thereafter, it shall, as soon as practicable and in any event within two months after the date on which the Operator instruction was received by International Power, send notice of the refusal to the transferee together with its reasons for the refusal.

International Power may not charge a fee for registering the transfer of a share or the renunciation of a renounceable letter of allotment or other document or instructions relating to or affecting the title to a share or the right to transfer it or for making any other entry in the register.

The International Power Board may refuse to register a transfer of any certified default shares by a person who holds 0.25 per cent. or more in nominal value of the issued shares of a class if such a person has been served with a section 793 notice after failure to provide International Power with information concerning the default shares required to be provided under the Companies Acts, unless (a) the member is not himself in default in supplying the information required, and (b) the transfer is only a part of the member's holding and the member proves to the satisfaction of the International Power Board that no person in default in supplying the information required is interested in any of the shares to be transferred.

5.8 **International Power's lien on partly paid shares**

International Power has a first and paramount lien on all partly paid shares for any amount payable in respect of such shares, whether the due date for payment has arrived or not. Such lien shall apply to all dividends declared or other moneys payable in respect of such shares. The International Power Board may declare a share to be wholly or partly exempt from the lien. Unless otherwise agreed with the transferee, the registration of a transfer of a share shall operate as a waiver of International Power's lien, if any, on such share. The International Power Board may enforce a lien by selling the shares after the giving of written notice to the defaulting shareholder in accordance with the Articles.

5.9 **Forfeiture**

International Power may serve notice on any member in respect of any amounts unpaid on their shares. The member shall be given not less than seven clear days notice to pay the unpaid amount, together with any interest and all expenses incurred by International Power by reason of the non-payment. In the event of non-compliance, a share in respect of which the notice is given may be forfeited by resolution of the International Power Board. Such forfeiture shall include all dividends declared but not yet paid in respect of the forfeited shares. Notwithstanding the forfeiture, amounts owing in respect of forfeited shares (together with all interest and expenses) at the time of forfeiture will continue to be payable, together with interest thereon, by the person ceasing to be a member of International Power.

Failure to give notice to the relevant holder of the share will not invalidate the forfeiture. Forfeited shares shall become the property of International Power.

5.10 **Redeemable shares**

Subject to the Companies Acts and to the rights attached to existing shares, shares may be issued on terms that they are to be redeemed or, at the option of International Power or the holder, are liable to be redeemed.

5.11 **General meetings**

(a) ***Annual general meetings***

Subject to the Companies Acts, International Power shall hold an annual general meeting in each period of 6 months beginning with the day following its accounting reference date. Such meetings shall be convened by the International Power Board at such time and place as it thinks fit.

(b) ***Convening of general meetings by the International Power Board***

The International Power Board may convene a general meeting whenever it thinks fit.

(c) ***Convening of general meetings by requirement of the members***

The International Power Board, if required to do so by the members pursuant to the Companies Acts, shall call a general meeting within 21 days from the date on which the International Power Board becomes so required, to be held on a date not more than 28 days after the date of the notice convening the meeting.

(d) ***Length and form of notice***

International Power shall call an annual general meeting on not less than 21 clear days' notice. International Power shall call all other general meetings on not less than 14 clear days' notice.

The notice of meeting shall be given to members entitled to receive notice from International Power, to the International Power Board and to International Power's auditors. However, an accidental omission to give notice of a general meeting or the non-receipt of such notice by any member, International Power Board member or the auditors of International Power shall not invalidate the proceedings at that meeting.

The International Power Board may determine that persons entitled to receive notice of meetings are those persons entered on the register at the close of business on a day determined by the International Power Board. The notice of meeting shall also specify a time (which shall not be more than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the meeting) by which a person must be registered in order to have the right to attend and vote at the meeting. Changes to entries on the register after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

(e) ***Quorum***

No business shall be transacted at a general meeting of International Power unless a quorum is present. Subject to the Companies Acts, the quorum for a general meeting of International Power is two qualifying persons present and entitled to vote.

(f) ***Right to attend and speak***

A director or an auditor is entitled to attend and speak at a general meeting and at a separate meeting of the holders of a class of shares or debentures whether or not he is a member. The chairman of International Power may invite any person to attend and speak at any general meeting of International Power where he considers that it will assist in the deliberations of the meeting.

(g) ***Notices and communications***

(i) Unless the Articles expressly require otherwise, any notice, document or information to be sent or supplied by International Power may be sent or supplied in accordance with the Companies Act 2006 in hard copy form, in electronic form or by means of a website.

(ii) In the case of joint holders of a share, a notice, document or information shall be validly sent or supplied to all joint holders if sent or supplied to whichever of them is named first in the register in respect of the joint holding. Anything to be agreed or specified in relation to a notice, document or information to be sent or supplied to joint holders, may be agreed or specified by the joint holder who is named first in the register of members.

(iii) A notice, document or information sent by post and addressed to a member at his registered address or address for service in the United Kingdom is deemed to be given to or received by the intended recipient twenty-four hours after posting if prepaid as first class and forty-eight hours after posting if prepaid as second class. In proving such service, it shall be sufficient to prove that the envelope containing the notice, document or information was properly addressed, pre-paid and posted.

(iv) A notice, document or information sent or supplied by electronic means to an address specified for the purpose by the member is deemed to have been given to or received by the intended recipient twenty-four hours after it was sent, and in proving service it is sufficient to prove that the communication was properly addressed and sent.

(v) A notice, document or information sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when (i) the material was first made available on the website or (ii) if later, when the recipient received (or is deemed to have received) notification of the fact that the material was available on the website.

5.12 **Directors**

(a) ***Number of directors***

Unless and until otherwise decided by International Power by ordinary resolution, the number of directors must not be less than two and must not be more than 16.

(b) ***Directors shareholding qualification***

A director need not be a member of International Power. There is no age limit for directors.

(c) ***Appointment of directors***

International Power, by ordinary resolution, or the International Power Board may appoint a director. A director appointed by the International Power Board may hold office only until the next following annual general meeting unless reappointed during that meeting, but is not taken into account in determining the number of directors who are to retire by rotation at that meeting.

(d) ***Retirement of directors***

At each annual general meeting of International Power, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office, **provided that** if there are fewer than three directors who are subject to retirement by rotation, one shall retire from office.

If any one or more directors: (i) were last appointed or reappointed three years or more prior to the meeting, (ii) were last appointed or reappointed at the third immediately preceding annual general meeting, or (iii) at the time of the meeting will have served more than eight years as a non-executive director (excluding as the chairman of the International Power Board), he or they shall retire and shall be counted in obtaining the number required to retire, **provided that** the number of directors required to retire shall be increased to the extent necessary to comply with this requirement.

The directors to retire by rotation shall be, first, those who wish to retire and not be reappointed, and second, those who have been longest in office since their last appointment or reappointment. In the case of those who were appointed or re-appointed at the same time, the director to retire shall be (unless they otherwise agree) determined by lot. A director retiring at a meeting shall retain office until the dissolution of such meeting. A retiring director shall be eligible for re-election.

(e) ***Removal of directors by ordinary resolution***

International Power may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution appoint a replacement director, who will hold office only for so long as the removed director would have if he had not been removed.

(f) ***Remuneration of directors***

International Power shall pay to directors (but not alternate directors) such fees as the International Power Board may decide, **provided that** the aggregate of all such fees shall not exceed £350,000 per annum or such higher amount as may be decided by ordinary resolution of International Power. Subject to the Companies Acts and to the Articles and the requirements of the listing rules, the International Power Board may arrange for part of a fee payable to a director to be provided in the form of fully paid shares in the capital of International Power. A director may be paid such reasonable additional remuneration (whether by way of salary, percentage of profits or otherwise) as the International Power Board may determine if a director performs a special service to International Power or serves on any committee of the International Power Board. Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred in the performance of directors' duties, including expenses incurred in attending meetings of the International Power Board, or committees of the International Power Board or general meetings or separate meetings of the holders of a class of shares or debentures.

(g) ***Pensions and gratuities for directors***

The International Power Board may exercise the powers of International Power to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a director of International Power or any of its subsidiary undertakings, or their respective predecessors in business without the approval of an ordinary resolution of International Power, or a company which is or was allied to or associated with International Power or any of its subsidiaries, or for any members of his family, including a spouse or a former spouse, or a person who is or was dependent on him. For this purpose, the International Power Board may establish, maintain, subscribe to and contribute to any kind of scheme, trust or fund and pay premiums.

(h) ***Permitted interests of directors***

The International Power Board may authorise any matter proposed to it which would, if not so authorised, involve a breach of duty by a director under section 175 of the 2006 Act. Only directors who have no interest in the matter under consideration will count in the quorum at the meeting at which the matter is considered and will be entitled to vote. The International Power Board may give any authorisation upon such terms as it thinks fit and may vary or terminate any such authorisation at any time.

A director shall be under no duty to International Power with respect to any information which he obtains or has obtained otherwise than as a director of International Power and in respect of which he owes a duty of confidentiality to another person.

Subject to the provisions of the Companies Acts and provided he has disclosed to the International Power Board the nature and extent of any material interest, a director, notwithstanding his office:

(i) may be a party to, or otherwise be interested in, any transaction or arrangement with International Power or another company in which International Power has a direct or indirect interest;

(ii) may act by himself or through his firm in a professional capacity for International Power (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the International Power Board may decide;

(iii) may be a director or another officer of, or employed by, or a party to a contract, arrangement, transaction or proposal with or otherwise interested in a company promoted by International Power or in which International Power is otherwise interested; and

(iv) is not liable to International Power for a profit, remuneration or other benefit realised by such contract, arrangement, transaction, proposal, office or employment and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.

If a director knows that he is in any way interested in a proposed or existing contract arrangement, transaction or proposal with International Power, such director shall declare the nature of interest at the meeting of the International Power Board or by notice in writing in accordance with section 184 of the Companies Act 2006 or by general notice in accordance with section 185 of the Companies Act 2006.

(i) ***Restrictions on voting***

A director may not vote in relation to a resolution of the International Power Board or committee of the International Power Board concerning a matter in which he has a direct or indirect interest which is, to his knowledge, a material interest. Interests as a result of an interest in shares, debentures, or other securities of or through International Power are disregarded. However, this prohibition does not apply to a resolution concerning any of the following matters:

(i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of International Power or any of its subsidiary undertakings;

(ii) the giving of a guarantee, security or indemnity for any debt or obligation of International Power or any of its subsidiary undertakings for which he has assumed responsibility in all or part, either alone or jointly with others, under a guarantee, indemnity or security;

(iii) a transaction or arrangement concerning an offer of shares, debentures or other securities of International Power or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) a transaction or arrangement to which International Power is or is to be a party concerning another company (including a subsidiary undertaking) in which he, or any person connected with him, is directly or indirectly interested whether as an officer, shareholder, creditor or otherwise, if he and any person connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of the equity share capital (excluding any shares of that class held as treasury shares) or voting rights in that company;

(v) a transaction or arrangement for the benefit of employees of International Power or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and

(vi) a transaction or arrangement concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

A director may not vote or be counted in the quorum in relation to a resolution concerning the appointment of that director (including fixing or varying the terms or termination of such appointment) as the holder of an office or place of profit with International Power or any body corporate in which International Power is directly or indirectly interested.

(j) ***Vacation of office***

Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles, the office of a director is vacated if:

(i) he resigns by notice delivered to the secretary at the office or tendered at an International Power Board meeting;

(ii) where he has been appointed for a fixed term, the term expires;

(iii) he ceases to be a director by virtue of a provision of the Companies Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a director;

(iv) he becomes bankrupt or compounds with his creditors generally or he applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

(v) he is or has been suffering from mental ill health or becomes a patient for the purpose of any statute relating to mental health or any court claiming jurisdiction on the ground of mental disorder (however stated) makes an order for his detention or for the appointment of a guardian, receiver or other person (howsoever designated) to exercise powers with respect to his property or affairs, and in any such case the Board resolves that his office be vacated;

(vi) both he and his alternate director appointed pursuant to the provision of the Articles (if any) are absent, without the permission of the International Power Board, from International Power Board meetings for six consecutive months and the International Power Board resolves that his office be vacated; or

(vii) he is removed from office by notice addressed to him at his last-known address and signed by all his co-directors (without prejudice to a claim for damages for breach of contract or otherwise).

If the office of a director is vacated for any reason, he shall cease to be a member of any committee of the International Power Board.

(k) ***Borrowing powers***

Subject to the Companies Acts and the Articles, the directors may exercise all the powers of International Power to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of International Power or of any third party. The directors shall restrict the borrowings of International Power and exercise all voting and other rights, powers of control or rights of influence exercisable by International Power in relation to its subsidiary undertakings so as to secure that the aggregate principal amount for the time being remaining outstanding of all borrowed moneys of the International Power Group (and, following closing the Enlarged International Power Group) owing to persons outside the International Power Group (and, following closing, the Enlarged International Power Group) shall not, without the previous sanction of an ordinary resolution of International Power, at any time exceed an amount equal to two and a half times the Adjusted Capital and Reserves (as defined in the Articles).

(l) ***Alternate director***

A director (other than an alternate director) may, by notice delivered to the secretary at the office or tabled at a meeting of the International Power Board, or in any other manner approved by the International Power Board, appoint as his alternate (or revoke such appointment and appoint another person in his place) another director or another person approved by the International Power Board and willing to act. If the alternate director is not already a director, the appointment, unless previously approved by the International Power Board, shall have effect only upon and subject to being so approved.

(m) ***Proceedings of the International Power Board***

Subject to the Articles, the International Power Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it sees fit.

The quorum necessary for the transaction of business may be decided by the International Power Board and until otherwise decided is two directors present in person or by alternate director. A duly convened meeting of the International Power Board at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the International Power Board.

The International Power Board may appoint a director to be the chairman to preside at every International Power Board meeting at which he is present and one or more deputy chairman or chairmen and decide the period for which he or they are to hold office (and may at any time remove him from that office). Questions arising at a meeting of the International Power Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

The International Power Board may delegate any of its power, authorities and discretions (with power to sub-delegate) to a committee consisting of one or more members of their body and (if thought fit) one or more other persons as it thinks fit. A committee may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the International Power Board or of the committee). The International Power Board may retain or exclude its rights to exercise the delegated powers, authorities or discretions collaterally with the committee. The International Power Board may at any time revoke the delegation or alter any terms and conditions or discharge the committee in whole or in part.

(n) ***Indemnity***

To the extent permitted by the Companies Acts and without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a director or other officer of International Power shall be and shall be kept indemnified out of the assets of International Power against all costs, charges, losses and liabilities incurred by him in relation to International Power or its affairs, other than (broadly) any liability to International Power or to any Associated Company, any criminal or regulatory fine or the costs of defending any criminal proceedings in which such person is convicted.

(o) ***Winding up***

On a voluntary winding up of International Power, the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of International Power and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members in kind as the liquidator shall determine. The liquidator may determine how the division is to be carried out between members or classes of members in accordance with the then existing rights of members. The liquidator may not distribute to a member without his consent an asset to which a liability or potential liability is attached for the owner.

Save as set out in this paragraph 5, the Existing Ordinary Shares are, and the New Ordinary Shares will be, freely transferable.

6. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE NEW ORDINARY SHARES

6.1 Mandatory bid

The City Code applies to International Power. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in International Power, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares in International Power at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in International Power if the effect of such acquisition were to increase that person's percentage of the voting rights.

6.2 Squeeze-out

Under the Companies Act 2006, if an offeror making a takeover offer were to acquire or unconditionally contract to acquire 90 per cent. or more in value of the Ordinary Shares to which the offer relates and 90 per cent. or more of the voting rights attached to those Ordinary Shares, the offeror could then compulsorily acquire the remaining 10 per cent. It would do so by sending a statutory notice to outstanding Shareholders within three months of the last day on which the offer can be accepted, telling them that the offeror wishes to acquire their shares, and sending a statutory declaration to International Power stating that the conditions for the giving of the notice have been satisfied. Six weeks later, the offeror must send a copy of the statutory notice together with an executed instrument of transfer of the outstanding Ordinary Shares in its favour and pay the consideration to International Power, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

6.3 Sell-out

The Companies Act 2006 also gives minority Shareholders a right to be bought out in certain circumstances by an offeror that has made a takeover offer as described in paragraph 6.2 of Part 12 (*Additional Information*) above. If, at any time before the end of the period within which a takeover offer can be accepted, the offeror has acquired or has unconditionally contracted to acquire Ordinary Shares representing not less than 90 per cent. in value of all the Ordinary Shares in International Power, which carry not less than 90 per cent. of the voting rights in International Power, then any Shareholder to which the offer relates who has not accepted the offer could, by a written communication to the offeror, require it to acquire those Ordinary Shares.

The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the Shareholders notifying them of their sell-out rights. If a Shareholder exercises his/her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

7. PUBLIC TAKEOVER BIDS IN THE LAST AND CURRENT FINANCIAL YEARS

There have been no public takeover bids by third parties in respect of the share capital of International Power in the last or current financial year.

8. DIRECTORSHIPS AND PARTNERSHIPS

8.1 Save as set out below, none of the International Power Directors, Proposed Directors or Proposed Senior Managers hold any directorships of any company, other than of those companies in the International Power Group which are subsidiaries of International Power in the case of the International Power Directors and any Proposed Senior Managers currently employed by the International Power Group, or companies in the GDF SUEZ Group which are subsidiaries of GDF SUEZ in the case of the Proposed Directors and the Proposed Senior Managers currently employed by the GDF SUEZ Group, nor have any of the International Power Directors, Proposed Directors or Proposed Senior Managers been a partner in a partnership or a director of a company at any time in the five years prior to the date of this Prospectus.

Name of Director/Proposed Director/Proposed Senior Manager	*Current directorships and partnerships*	*Previous directorships and partnerships*
Sir Neville Simms	Flaghead Management Limited BRE Trust Equiniti Group Limited Equiniti Enterprises Limited Advent X2 Limited Ashridge Management College Oasis International Power LLC	Adelie Food Holdings Limited
Philip Cox	WM Morrison Supermarkets PLC	Wincanton PLC
Mark Williamson	Imperial Tobacco Group PLC	
Anthony Concannon	Energy Supply Association of Australia Ltd. Australia Power Academy Ltd.	
Bruce Levy	Electricity Power Supply Association	Liberty Science Center
Steve Riley	Shanks Group PLC	Association of Electricity Producers Limited
Ranald Spiers	The Middle East Association Hidd Power Company Arabian Power Company PJSC Fujairah Asia Power Company PJSC Shuweihat CMS International Power Company PJSC PT Paiton Energy Company Q Power QSC Al Kamil Power Company SAOG	
Tony Isaac	Hogg Robinson Group plc Schlumberger Ltd	BOC Holdings BOC Japan BOC Japan Holdings Limited BOC Limited BOC Netherlands Holdings Limited BOC Technologies Limited Edwards Vacuum Limited Storeshield Limited The BOC Group Limited BOC Korea Holdings Limited BOC Chile Holdings Limited G.L Baker (Transport) Limited Handigas Limited Indonesia Power Holdings Limited Welding Products Holdings Limited BOC Interssenter Akteibolag BOC Finland OY BOC Dutch Finance BOC Investment Holdings Limited BOC Investments No. 1 Limited BOC Investments No. 2 Limited Linde Cryogenics Limited Transhield BOC Investments No. 5 BOC America Holdings BOC Luxembourg Finance BOC Investments (Luxembourg) Limited BOC Ireland Finance BOC Investments Ireland BOC Japan Finance BOC No.1 Limited BOC No.2 Limited Spalding Haulage Limited BOC Investments No. 7 BOC Russia Holdings Limited BOC CIS Limited
Alan Murray	Hanson Pension Trustees Limited Supervisory Board of Heidelberg Cement AG	Hanson Building Materials Limited Hanson Finance (2003) Limited Hanson Limited

Name of Director/Proposed Director/Proposed Senior Manager	*Current directorships and partnerships*	*Previous directorships and partnerships*
		Midland Quarry Products Limited Hanson Holdings Limited Hanson Finance Limited Managing Board of Heidelberg Cement AG Lehigh Hanson Inc.
John Roberts	Royal Bank of Canada Europe Limited Blackrock New Energy Investment Trust PLC Blackrock New Energy Trading Company Limited Remote Energy Monitoring Holdings Limited The ECOFIN Research Foundation Halite Energy Group Limited	United Utilities PLC Electricity North West Limited United Utilities Water PLC Vertex Data Science Limited YCL Transport Limited United Utilities North West PLC United Utilities Contract Solutions Holdings Limited Your Communications Group Limited North West Business Leadership Team Limited The Mersey Partnership Manchester Investment and Development Agency Service Limited Economic Solutions Limited N.W.B.L.T. Enterprises Limited United Utilities Communications Limited Dunsdale Partnership LLP Y.C. (No.1) Limited Y.C. (No.2) Limited Renewables Northwest Limited Viking Consortium Holdings Limited
Struan Robertson	Forth Ports plc Westside (Wimbledon) Residents Management Company Limited Salamander Energy PLC Henderson TR Pacific Investment Trust plc	WS Atkins PLC Salamander Energy Group Limited Interinvest Finance Company Limited Tomkins PLC
David Weston	Kumba Iron Ore Ltd.	Tarmac Holdings Limited Tarmac Limited Anglo Industrial Minerals Holdings Ltd. Anglo Industrial Minerals Ltd. Tarmac Group Limited The Concrete Centre Limited Mineral Products Association Limited Quarry Products Association Limited Shell Canada Products Limited
Dirk Beeuwsaert (Proposed Director, GDF SUEZ Appointed Director)	None	None
Guy Richelle (Proposed Director)	Al Ezzel Power Company BSC Jubail Water and Power Company Ras Girtas Power Company Senoko Energy PTE. LTD. Senoko Energy Supply PTE LTD Senoko Gas Supply PTE LTD Senoko Power Limited Senoko Services PTE LTD SGA Marafiq Holdings W.L.L.	Sohar Power Company Saoc PTT NGD CO LTD Gulf Total Tractebel Power Hidd POWER Company B.S.C. RLC Power Holding Company Limited SMN Power Holding Company LTD Total Tractebel Emirates EPC Total Tractebel Emirates O&M Total Tractebel Emirates Power
Jean-François Cirelli (Proposed Director, GDF SUEZ Appointed Director)	Member of the Supervisory Board of Vallourec	Neuf Cegetel Member of the Supervisory Board of Atos Origin
Gérard Lamarche (Proposed Director, GDF SUEZ Appointed Director)	Legrand Europalia International	KKR Guernsey GP Limited BNP Paribas Fortis
Gérard Mestrallet (Proposed Director, GDF SUEZ Appointed Director)	Saint-Gobain Pargesa Holding SA	Crédit Agricole SA Member of the Supervisory Board of Taittinger Member of the Supervisory Board of AXA
Sir Rob Young (Proposed Director)	None	Aguas De Barcelona Hirco plc iC2 Capital

Name of Director/Proposed Director/Proposed Senior Manager	*Current directorships and partnerships*	*Previous directorships and partnerships*
Bernard Attali (Proposed Director)	TDF SAS TPG Capital France SAS Air Canada ACE Aviation	Groupe Eurotunnel S.A. Baccarat S.A.
Michael Zaoui (Proposed Director)	ZAM Capital Limited	None
Jan Flachet (Proposed Senior Manager)	ITA Energetica S.A.	Colbun S.A. Empresa Electrica Industrial S.A. Sociedad GNL Mejillones S.A.
Shankar Krishnamoorthy (Proposed Senior Manager)	SMN Barka Power Company S.A.O.C. SMN Power Holding Company LTD Al Dur Power and Water Company B.S.C (Closed) Al-Rusail Power Company S.A.O.C. Sohar Power Company S.A.O.G. RLC Power Holding Company Limited Dhuruma Electricity Company S.A.O.G. S2 Operation & Maintenance Company W.L.L. Al Ezzel Power Company BSC Al Dur Holding Company Ltd Gulf Total Tractebel Power Company Ras Girtas Power Company Jubail Operation and Maintenance Company Limited	Total Tractebel Emirates O&M Total Tractebel Emirates EPC Total Tractebel Emirates Power Zhenjiang Hongshun Ltd. Amata Natural Gas Distribution Company Limited PTT NGD Co Ltd Shuweihat 2 Holding Company Limited Ruwais Power Company PJSC
Zin Smati (Proposed Senior Manager)	Gaz Metro Inc.	None
Penny Chalmers (Proposed Senior Manager)	None, other than directorships in subsidiaries of International Power	None, other than directorships in subsidiaries of International Power
Philip De Cnudde (Proposed Senior Manager)	None	None
François Graux (Proposed Senior Manager)	Energy Assistance	None

8.2 **Confirmations**

No International Power Director, Proposed Director or Proposed Senior Manager has any actual or potential conflicts of interest between any of his duties to the Company and his private interests and/or other duties.

No International Power Director, Proposed Director or Proposed Senior Manager has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the International Power Group and which was effected by any member of the International Power Group during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

As at the date of this Prospectus, no International Power Director, Proposed Director or Proposed Senior Manager has during the last five years:

(a) had any convictions relating to fraudulent offences;

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company's business) of any company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or

(d) been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

9. INTERESTS OF THE INTERNATIONAL POWER DIRECTORS, THE PROPOSED DIRECTORS AND THE PROPOSED SENIOR MANAGERS

9.1 Issued share capital

Set out below are the interests of the International Power Directors, Proposed Directors and Proposed Senior Managers in the issued share capital of the Company, including the interests of persons connected (within the meaning of Section 96B of FSMA) with the International Power Directors, Proposed Directors or Proposed Senior Managers for the purposes of DTR 3.1.2 of the Disclosure and Transparency Rules, as notified to the Company pursuant to DTR 3.1.2 (or which would if such Proposed Director or Proposed Senior Manager were an International Power Director be required to be notified to the Company pursuant to DTR 3.1.2) together with such interests as are expected to subsist immediately following Admission.

The following table has been prepared on the basis of the information available as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus).

Director	*Number of Ordinary Shares as at 17 December 2010*	*Percentage of issued share capital of International Power as at 17 December 2010*	*Percentage of enlarged issued share capital of International Power(2) immediately following Admission*
International Power Directors(1)			
Sir Neville Simms	50,000	0.0033%	0.0010%
Philip Cox	1,024,359	0.0671%	0.0202%
Mark Williamson	401,634	0.0263%	0.0079%
Anthony Concannon	146,367	0.0096%	0.0029%
Bruce Levy	341,014	0.0223%	0.0067%
Steve Riley	390,055	0.0255%	0.0077%
Ranald Spiers	365,811	0.0240%	0.0072%
Tony Isaac	25,501	0.0017%	0.0005%
Alan Murray	10,000	0.0007%	0.0002%
John Roberts	—	—	—
Struan Robertson	3,163	0.0002%	0.0001%
David Weston	—	—	—
Proposed Directors			
Dirk Beeuwsaert	—	—	—
Guy Richelle	—	—	—
Jean-François Cirelli	—	—	—
Gérard Lamarche	—	—	—
Gérard Mestrallet	—	—	—
Bernard Attali	—	—	—
Sir Rob Young	—	—	—
Michael Zaoui	—	—	—
Senior Managers	965,617	0.063%	0.0190%
Total	3,723,521	0.244%	0.0733%

Notes:

(1) Details of the share options and awards over Ordinary Shares held by the International Power Directors are set out in paragraph 9.2 of Part 12 (*Additional Information*) of this Prospectus. They are not included in the interests of International Power Directors shown on the table above.

(2) Based on International Power's issued share capital as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus), 3,554,347,956 New Ordinary Shares being issued pursuant to the Transaction and assuming that no options are exercised or shares issued under the International Power Share Schemes or shares issued on conversion of any of the Convertible Bonds between 17 December 2010 and Admission.

9.2 Share options and awards

(a) ***Share Options***

As at 17 December 2010 (the latest practicable date prior to the date of this Prospectus), the following International Power Directors had interests in the following options relating to Ordinary Shares under the International Power Share Schemes:

Name of International Power Director	*Number of Ordinary Shares*	*Exercise Price in pence*	*Date from which exercisable*	*Expiry Date*
Approved ESOS, Unapproved ESOS and Global ESOS				
Philip Cox	17,191[(1)]	174.50	24.05.2005[(3)]	23.05.2012
	149,859[(2)]	174.50	24.05.2005[(3)]	23.05.2012
Mark Williamson	35,415[(2)]	174.50	24.05.2005[(3)]	23.05.2012
Anthony Concannon	4,480[(1)]	209.22	22.03.2004	21.03.2011
	10,455[(2)]	209.22	22.03.2004	21.03.2011
	6,447[(1)]	174.50	24.05.2005[(3)]	23.05.2012
	17,835[(2)]	174.50	24.05.2005[(3)]	23.05.2012
Steve Riley	31,608[(2)]	174.50	24.05.2005	23.05.2012
Ranald Spiers	6,810[(1)]	209.22	22.03.2004	21.03.2011
	18,282[(2)]	209.22	22.03.2004	21.03.2011
	31,608[(2)]	174.50	24.05.2005[(3)]	23.05.2012
	47,419[(2)]	179.25	11.03.2008	10.03.2015
UK SAYE Plan and Global SAYE Plan				
Philip Cox	3,664[(4)]	262.00	01.01.2012	30.06.2012
Mark Williamson	8,050[(4)]	200.00	01.03.2011	31.08.2011
Anthony Concannon	8,050[(4)]	200.00	01.03.2011	31.08.2011
Bruce Levy	8,050[(5)]	200.00	01.03.2011	31.08.2011
Steve Riley	6,506[(4)]	239.00	01.01.2015	30.06.2015
Ranald Spiers	4,318[(4)]	389.00	01.01.2013	30.06.2013

Notes:

(1) Options granted under the Approved ESOS.

(2) Options granted under the Unapproved ESOS.

(3) Options granted under the Approved ESOS and the Unapproved ESOS on 24 May 2002 did not meet their performance criteria and so are only exercisable in certain cases of termination of employment (as set out in paragraph 11.1(c) of Part 12 (*Additional Information*)) or on a change of control (as set out in paragraph 11.1(f) of Part 12 (*Additional Information*) pursuant to an offer made to shareholders).

(4) Options granted under the UK SAYE Plan.

(5) Options granted under the Global SAYE Plan.

(b) ***Share awards***

As at 17 December 2010 (latest practicable date prior to the date of this Prospectus), the following International Power Directors had interests in the following awards relating to Ordinary Shares under the International Power Share Schemes:

Name of International Power Director	*Number of Ordinary Shares*	*Award Price in pence*	*End of Performance Period*
PSP			
Philip Cox	378,378	nil	31.12.2010
	737,219	nil	31.12.2011
	437,832	nil	31.12.2012
Mark Williamson	164,189	nil	31.12.2010
	319,785	nil	31.12.2011
	189,920	nil	31.12.2012
Anthony Concannon	150,000	nil	31.12.2010
	292,178	nil	31.12.2011
	173,524	nil	31.12.2012
Bruce Levy	164,437	nil	31.12.2010
	449,293	nil	31.12.2011
	245,966	nil	31.12.2012
Steve Riley	150,000	nil	31.12.2010
	292,178	nil	31.12.2011
	173,524	nil	31.12.2012
Ranald Spiers	62,557	nil	31.12.2010
	58,035(1)	nil	31.12.2010
	266,871	nil	31.12.2011
	166,009	nil	31.12.2012

Notes:

(1) Date of award: 15 May 2008 (special award made upon appointment as a Director).

Save as disclosed in paragraphs 9.1 and 9.2 of Part 12 (*Additional Information*), none of the International Power Directors, the Proposed Directors or the Proposed Senior Managers or any person connected (within the meaning of Section 96B of FSMA) with the International Power Directors, the Proposed Directors or the Proposed Senior Managers has any interest, beneficial or non-beneficial in the share capital of International Power.

There are no outstanding loans granted by International Power or any member of the International Power Group to any of the International Power Directors, the Proposed Directors or the Proposed Senior Managers nor has any guarantee been provided by International Power or any member of the International Power Group for their benefit.

As at 17 December 2010 (being the latest practicable date prior to the date of this Prospectus), the number of Ordinary Shares outstanding pursuant to employee share plans (including options) in respect of the Senior Managers was 2,217,011.

10. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

10.1 Existing Executive Directors' service contracts

The following Existing Executive Directors have service agreements with the Company (save for Bruce Levy, whose employment agreement is with American National Power, Inc. (now known as International Power America, Inc.). The service agreements do not have a fixed term but provide for termination on the following terms:

Name	*Date of agreement*	*Notice period by company (months)*	*Notice period by Existing Executive Director (months)*
Philip Cox	25 February 2003	12	6
Mark Williamson	23 February 2004	12	6
Anthony Concannon	23 February 2004	12	6
Bruce Levy	21 December 2005	—(1)	6
Steve Riley	23 February 2004	12	6
Ranald Spiers	23 September 2008	12	6

(1) The service agreement allows for termination without notice by the Company, subject to making a termination payment in certain circumstances, as further described below.

The service agreements for Philip Cox, Mark Williamson, Anthony Concannon and Steve Riley also provide for automatic termination upon the Existing Executive Director's 60th birthday.

The service agreements contain no contractual entitlement to any fixed amount of bonus or right of participation in any of the International Power Group's share-based incentive schemes, participation in which is at the discretion of the International Power Remuneration Committee.

Details of the Existing Executive Directors' remuneration (including salary and other benefits) for the year ended 31 December 2009 are provided in paragraphs 9.2 and 10.4 of this Part 12 (*Additional Information*). The Existing Executive Directors do not participate in any commission or profit-sharing arrangements.

To protect the International Power Group's business interests, the service agreements contain post-termination covenants which restrict the Existing Executive Directors' ability to compete with the business, to solicit, interfere or deal with customers and also to solicit senior employees, to the extent permitted under the law of the relevant jurisdiction.

The Existing Executive Directors' service agreements provide for benefits upon termination of employment. Philip Cox's service agreement provides that for termination other than for cause, he may receive a payment of 125 per cent. of annual basic salary (which includes the 12 months' notice) to take account of the value of contractual benefits. Mark Williamson's, Steve Riley's, Anthony Concannon's and Ranald Spiers' service agreements provide that for termination other than for cause, these Existing Executive Directors may receive a payment of 125 per cent. of annual basic salary, which will be paid on a monthly basis until the relevant Existing Executive Director secures alternative employment, up to a maximum of 12 monthly payments. Bruce Levy's employment agreement provides that for termination other than for cause, he may receive a payment of 125 per cent. of annual basic salary which will be paid in semi-monthly instalments, plus benefit continuation. If American National Power, Inc. (now known as International Power America, Inc.) elects to release Bruce Levy from the restrictive covenants in his contract, he can be required to account for any salary received to reduce the amount of these semi-monthly payments, to a maximum of 24 semi-monthly payments. The treatment of share awards on termination is covered under the relevant incentive schemes.

10.2 **Existing Non-Executive Directors' letters of appointment**

The following Existing Non-Executive Directors have letters of appointment from the Company, details of which are as follows:

Existing Non-Executive Director	*Date of commencement of appointment*	*Expected termination of appointment*
Sir Neville Simms	22 February 2000	31 December 2011
Tony Isaac	2 October 2000	31 December 2011
Alan Murray	1 July 2007	AGM 2012
John Roberts	18 May 2006	AGM 2012
Struan Robertson	27 September 2004	AGM 2012
David Weston	1 August 2009	AGM 2012

All Existing Non-Executive Directors have specific terms of engagement provided in formal letters of appointment. Sir Neville Simms (Chairman) has a letter of appointment with a 12-month notice period. The other Existing Non-Executive Directors are appointed on a 3-year, fixed-term, annual fixed-fee basis.

The Existing Non-Executive Directors' fees are determined by International Power within the limits set by its Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The fees for Existing Non-Executive Directors are considered annually.

The fee structure for the Existing Non-Executive Directors as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus) was as follows:

- a fee of £285,000 payable to Sir Neville Simms;
- a basic fee of £50,000 in respect of board membership duties (i.e. attendance at board meetings, general duties as Existing Non-Executive Directors);
- a fee of £5,000 for participation in the International Power Audit, Remuneration, Appointments and Health, Safety and Environment Committees. Existing Non-Executive Directors only receive one fee, irrespective of how many committees they participate in;
- a fee of £10,000 per annum for chairing any of the International Power Audit, Remuneration and Health, Safety and Environment Committees; and
- a fee of £15,000 per annum for acting as Senior Independent Director.

The Existing Non-Executive Directors do not receive any bonus, do not participate in International Power Group's share-based incentive schemes or commission or profit-sharing arrangements, and are not eligible to join International Power Group's pension scheme. The Existing Non-Executive Directors' letters of appointment do not provide for benefits upon termination of appointment.

10.3 **Enlarged International Power Directors' service contracts**

Other than as set out in paragraphs 10.1 and 10.2 of this Part 12 (*Additional Information*), no service contracts have been entered into by International Power or any of its subsidiaries with any International Power Director or Proposed Director. None of the International Power Directors' service contracts with International Power or any of its subsidiaries have been entered into or amended within the period of 6 months ending on the date of this document.

10.4 Analysis of International Power Directors' remuneration

For the year ended 31 December 2009, the remuneration of and the benefits in kind granted to the International Power Directors were as follows:

	Salary	*Fees*	*Performance related bonus – cash*	*Payment in lieu of pension*	*Other benefits*	*Aggregate remuneration year to 31 December 2009*
			(£)			
Executive						
Philip Cox	721,000	—	713,790	160,817	16,379	1,611,986
Mark Williamson	417,000	—	412,830	97,535	13,792	941,157
Anthony Concannon	381,000	—	366,141	—	375,646	1,122,787
Bruce Levy	525,236	—	370,816	173,269	38,684	1,108,005
Steve Riley	381,000	—	377,190	—	72,115	830,305
Ranald Spiers	348,000	—	305,544	84,756	111,966	850,266
Non-Executive						
Sir Neville Simms	—	285,000	—	—	—	285,000
Tony Isaac	—	60,000	—	—	—	60,000
Alan Murray	—	65,000	—	—	—	65,000
John Roberts	—	65,000	—	—	—	65,000
Struan Robertson	—	65,000	—	—	—	65,000
David Weston	—	22,917	—	—	—	22,917
Total	2,773,236	562,917	2,546,311	516,377	628,582	7,027,423

Notes:

(1) For Philip Cox, the payment in lieu of pension detailed in the above table sets out the contributions made in respect of a pension cash allowance (£143,500) and the cost of providing supplementary life assurance above the notional pensions cap (£17,317). He also received a car allowance (£15,000) and private medical insurance (£1,379), which are included in 'Other benefits'.

(2) For Mark Williamson, the payment in lieu of pension detailed in the above table sets out the contributions made in respect of a pension cash allowance (£93,546) and the cost of providing supplementary life assurance above the notional pensions cap (£3,989). He also received a car allowance (£12,000) and private medical insurance (£1,792), which are included in 'Other benefits'.

(3) The 'Other benefits' entry of £375,646 for Anthony Concannon comprises elements delivered from the UK (£60,847), in Australia (£27,025) and to cover taxes paid under the Company's expatriate policy (£287,774). The UK total comprises a car allowance (£12,000), private medical insurance (£3,232 in respect of both UK and international cover), relocation support (£762), which is tapering off from a previous relocation and other elements of the expatriate package (£44,853). The balance of the expatriate package (medical costs and children's schooling fees at £27,025) is provided locally in Australia. The taxes paid by the Company in the UK and Australia are net of UK hypothetical tax paid by Anthony Concannon in 2009, under the Company's expatriate policy. The net tax liability for 2009 has been estimated by the Company's taxation specialists to be £287,774.

(4) Bruce Levy's payment in lieu of pension figure comprises contributions to a 401k Savings Plan (US$11,324), a Retirement Plan (US$16,284) and a Supplemental Retirement Plan (US$242,570). He also received a car allowance (US$21,600), medical and dental insurance (US$6,312), disability and life insurance (US$3,329) and relocation support (US$29,079), the total of which is included under 'Other benefits'. The values shown in the above table, including bonus, have been converted from US dollars to sterling using the average annual exchange rate of US$1.5593.

(5) The 'Other benefits' entry for Steve Riley incorporates a company car allowance (£12,000), private medical insurance (£1,792), the payment of school fees (£40,172) and the value of relocation support (£18,151).

(6) From 1 January 2010, Ranald Spiers' salary increased to £364,500, as disclosed in the 2009 International Power Financial Statements. For Ranald Spiers the payment in lieu of pension detailed in the above table sets out the contributions made in respect of a pension cash allowance (£77,405) and the cost of providing supplementary life assurance above the notional pensions cap (£7,351). He also received a car allowance (£12,000), private medical insurance (£3,709 in respect of both UK and international cover), an overseas allowance (£50,000) and other benefits paid locally in the Middle East and Asia relating to his expatriate status (£46,257) which are included in 'Other benefits'. As with Anthony Concannon, the International Power Group is committed to funding Ranald Spiers' worldwide employment tax and social security liability in excess of what would be due if he were resident for tax purposes in the UK, and had not triggered an overseas tax liability. As Ranald Spiers is primarily based in the UAE, however, such taxes and social security are typically expected to be less than or equivalent to the hypothetical taxes and social security deductions that are withheld from his UK income.

(7) Sir Neville Simms received a Chairman's fee of £285,000. On 15 February 2009, Sir Neville was appointed Director and Chairman of Oasis International Power LLC, an associate company of International Power Holdings Ltd, incorporated in the UAE, for which he receives an additional annual fee of US$150,000. Sir Neville agreed to receive his fee from 1 April 2009 and accordingly received US$112,500 in respect of 2009.

(8) Tony Isaac received a basic fee of £50,000, a £5,000 fee for committee participation and £5,000 in respect of his role as Senior Independent Director. His fee for the year commencing 1 January 2010 is £70,000, as disclosed in the 2009 International Power Financial Statements.

(9) Alan Murray received a basic fee of £50,000, a £5,000 fee for committee participation and £10,000 for his role as Chairman of the International Power's Audit Committee.

(10) John Roberts received a basic fee of £50,000, a £5,000 fee for committee participation and £10,000 for his role as Chairman of the International Power's Remuneration Committee.

(11) Struan Robertson received a basic fee of £50,000, a £5,000 fee for committee participation and £10,000 for his role as Chairman of the International Power's Health, Safety and Environment committee.

(12) David Weston received a basic fee of £20,834 and £2,083 for committee participation following his appointment to the International Power Board on 1 August 2009. His fee for the year commencing 1 January 2010 is £55,000.

The remuneration disclosed above does not include any amounts for the value of options or other share-based awards. Details of the share-based awards are provided in paragraph 9.2 of Part 12 (*Additional Information*) above.

Proposed executive remuneration arrangements

Following Closing, the Remuneration Committee of Enlarged International Power will decide on a remuneration policy that is relevant to the Company's revised scope, and that applies the principles of the UK Corporate Governance Code. Total remuneration levels are anticipated to be reviewed in comparison to a comparator group to ensure that they are competitive and therefore ensure that Enlarged International Power can attract, retain and motivate top calibre executives. Remuneration arrangements are expected to incorporate both fixed and variable elements. The fixed elements are expected to include salary, pension and other contractual benefits. So as to align rewards with the creation of value for Shareholders, the variable elements are expected to be based upon the achievement of specific and measureable shared and individual performance objectives over both the short term and the long term. It is also expected that remuneration packages could include significant opportunities to acquire and obligations to retain Ordinary Shares so as to build a strong Ordinary Share ownership culture. Performance objectives and other definitive terms of total remuneration will be determined by the Enlarged International Power Board and its Remuneration Committee following Closing.

10.5 **Senior Managers' Remuneration**

For the year ended 31 December 2009, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the Senior Managers by members of the International Power Group was £3,198,698.

10.6 **Pensions**

For the year ended 31 December 2009, the total amount set aside or accrued by International Power to provide pension, retirement or similar benefits to the International Power Directors was £648,428.

For the year ended 31 December 2009, the total amount set aside or accrued by International Power to provide pension, retirement or similar benefits to the Senior Managers was £375,240.

Pensions of Existing Executive Directors

The pension arrangements for Philip Cox, Mark Williamson and Ranald Spiers are provided through the senior section of the International Power Group of the electricity supply pension scheme ("**ESPS**"), which is a scheme registered with HMRC. The ESPS provides for:

- a normal retirement age of 60;
- an accrual rate that targets two-thirds of pensionable salary at normal retirement age;
- death-in-service benefit of four times (capped) salary; and
- a spouse's pension on death in retirement of two-thirds of the Existing Executive Directors' (pre-commutation) pension.

The pension contribution for these Existing Executive Directors is the lower of six per cent. of uncapped salary and 15 per cent. of the notional earnings cap, which is based on the limits previously imposed by HMRC.

The benefits provided through the scheme are also restricted by an earnings cap based on that previously imposed by HMRC. To compensate for this, the scheme benefits are supplemented by additional life assurance cover and the provision of a non-pensionable cash allowance. The cash allowance comprises the balance of 33 per cent. of salary (which is the limit that the International Power Remuneration Committee has established to provide all pension benefits) less the employer contribution and the cost of the additional life assurance.

The pension arrangements for Anthony Concannon and Steve Riley are also provided through the senior section of the International Power Group of the ESPS, but they are not restricted by the HMRC earnings cap as they joined the scheme prior to 1 June 1989. The ESPS provides for:

- a normal retirement age of 60;
- an accrual rate that targets two-thirds of pensionable salary at normal retirement age;
- death-in-service benefit of four times salary; and
- a spouse's pension on death in retirement of two-thirds of the Existing Executive Directors' (pre-commutation) pension.

The pension contribution for these Existing Executive Directors is 6 per cent. of uncapped salary. International Power does not supplement this arrangement.

The pension arrangements for Bruce Levy are provided through a 401k Savings Plan, a Retirement Plan and a Supplemental Retirement Plan, which are money-purchase schemes operated by International Power America, up to a total cost to International Power of 33 per cent. of his salary.

For the year ended 31 December 2009, the pension benefits granted to the International Power Directors were as follows:

		Increase in year		*Transfer value of accrued benefit*			
	Accrued benefit at 31 December 2009 £	*Including inflation* £	*Excluding inflation* £	***At 31 December 2009*** £	*At 31 December 2008* £	*Increase/ (decrease) less Existing Executive Directors' contributions* £	*Transfer value of increase in accrued pension excluding inflation less Existing Executive Directors' contributions* £
Philip Cox	**30,700**	5,700	4,500	**738,900**	464,800	255,800	88,900
Mark Williamson	**38,400**	5,500	3,900	**766,900**	461,700	286,900	58,800
Steve Riley	**145,900**	12,000	5,300	**2,735,000**	1,698,600	1,013,500	77,000
Anthony Concannon	**136,500**	11,200	4,900	**2,836,500**	1,433,200	930,400	63,900
Ranald Spiers	**65,700**	5,900	2,900	**1,438,600**	977,800	442,500	46,000

Notes:

(1) The accrued benefit as at 31 December 2009, is the pension entitlement which would be paid annually on retirement based on service to the end of 2009. In addition to the pension shown above, Mark Williamson has an entitlement to an accrued lump sum of £394, Steve Riley has an entitlement to an accrued lump sum of £214,665, Anthony Concannon has an entitlement to an accrued lump sum of £203,705 and Ranald Spiers has an entitlement to an accrued lump sum of £35,797, payable on retirement in each case. The normal retirement age of Existing Executive Directors is 60, except Ranald Spiers and Philip Cox. Ranald Spiers has a retirement age under the pension scheme of 60 and a contractual retirement age of 65, Philip Cox has a retirement age under the pension scheme of 60 and a contractual retirement age of 62.

(2) Dependants' pensions on death are 58 per cent. of members' pension in respect of service prior to 2 October 2000 and two-thirds of members' pension in respect of service thereafter. On death-in-service a lump sum of four times salary is payable. On death within the first five years of retirement, a lump sum is payable equal to the balance outstanding on the first five years' pension payments.

(3) Post-retirement increases are expected to be in line with inflation (guaranteed up to the level of 5 per cent. per annum and discretionary above that level).

(4) The transfer values as at 31 December 2008 and 31 December 2009 have been calculated in accordance with the assumptions used by the trustees to calculate cash equivalent transfer values in accordance with the legislation which came into force with effect from 1 October 2008. The calculation of transfer values is undertaken on a market related basis and due to changes in financial market conditions during 2009, transfer values have increased significantly. In

particular, the fall in the yield available on index linked government bonds has increased the transfer values shown at the end of 2009 by around 20 per cent. to 40 per cent. depending on the age of each Existing Executive Director.

(5) Members of the pension scheme have the option to pay additional voluntary contributions: neither the contributions, nor the resulting benefits are included in the above table.

(6) In addition to the above entitlements, cash allowances of £143,500, £93,546 and £77,405 were paid to Philip Cox, Mark Williamson and Ranald Spiers respectively during 2009. These allowances are explained in the notes to the International Power Directors' aggregate remuneration table in paragraph 10.4 of this Part 12 (*Additional Information*) above alongside an explanation of the £173,269 in pension contributions payable in 2009 to three arrangements in respect of Bruce Levy.

10.7 Equity compensation

The transfer of GDF SUEZ personnel, including executive directors, to Enlarged International Power will have no effect on their existing rights under GDF SUEZ stock option and performance share plans; the provisions of these plans stipulate that in the case of an inter-group transfer, all rights are unaffected.

11. INTERNATIONAL POWER SHARE SCHEMES

The International Power Group operates the following employee share plans under which Ordinary Shares may be issued by International Power out of unissued share capital upon the exercise of employee share options and the vesting of employee share awards: the International Power plc Approved Executive Share Option Plan, the International Power plc Unapproved Executive Share Option Plan, the International Power plc Global Executive Share Option Plan, the International Power plc 2002 Performance Share Plan, the International Power plc SAYE Plan, the International Power plc Global Sharesave Plan; the International Power plc 2010 UK Sharesave Plan, the International Power plc 2010 Global Sharesave Plan and the International Power plc 2010 UK Share Incentive Plan.

Set out at paragraphs 11.1 to 11.9 of this Part 12 (*Additional Information*) below are the principal features of the International Power Share Schemes.

11.1 International Power plc Approved Executive Share Option Plan

The International Power plc Approved Executive Share Option Plan ("**Approved ESOS**") is a discretionary share option plan which was approved by HMRC on 2 October 2000. There is no intention to grant further options under the Approved ESOS (and so no details have been included below in relation to eligibility criteria or grant procedure) but there are existing options outstanding under it. Set out below is a summary of the Approved ESOS provisions that apply to outstanding options under it. Benefits received under the Approved ESOS are not pensionable.

(a) ***Exercise of options***

Options are normally exercisable, subject to any performance condition being satisfied, by a person who remains a director or employee of the group, between the third and tenth anniversaries of grant.

Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives.

(b) ***Performance condition***

The exercise of options is subject to a performance condition measured over a performance period of not less than three years (the "**Performance Period**").

The performance condition applying to outstanding options is based on normalised earnings per share ("**EPS**"). Under this condition, 25 per cent. of an option will become exercisable if cumulative EPS over a three-year Performance Period reaches a threshold target and 100 per cent. of an option will become exercisable if cumulative EPS over the Performance Period is equal to or greater than a stretch target. The extent to which options become exercisable will be pro-rated for EPS performance between these two points. If an option becomes exercisable in part only at the end of the Performance Period, the balance of the option will lapse. There is no re-testing of the performance condition.

For options granted in 2008, covering the Performance Period 2008-2010, the threshold target is 87.00 pence per share and the stretch target is 90.00 pence per share.

For options granted in 2009, covering the Performance Period 2009-2011, the threshold target is 87.00 pence per share and the stretch target is 97.00 pence per share.

For options granted in 2010, covering the Performance Period 2010-2012, the threshold target is 72.00 pence per share and the stretch target is 87.00 pence per share.

(c) ***Termination of employment***

Options granted prior to 11 March 2009 may be exercised early without satisfaction of the performance condition in certain circumstances; for example, on an optionholder ceasing to be an employee due to ill health, death, retirement, redundancy or following a change in control of the employing company.

Options granted on or after 11 March 2009 may only be exercised in the circumstances set out above to the extent to which the performance condition has been satisfied. Such exercise must be within 12 months of the later of the date of cessation of employment and the date on which the International Power Remuneration Committee determines the extent to which the performance condition has been satisfied. Where the date of cessation of employment falls prior to the end of the performance period, the number of Ordinary Shares which become exercisable will be pro-rated to take account of the length of time that the employee was employed during the performance period.

If an optionholder leaves in any other circumstances, his options will lapse unless the International Power Remuneration Committee decides otherwise.

(d) ***Limits***

The Approved ESOS is subject to the following overall limits on the number of Ordinary Shares which may be issued under it:

(i) in any 10-year period, not more than 10 per cent. of the ordinary share capital of the Company in issue from time to time may in aggregate be issued or be issuable under the Approved ESOS and any other employees share plan adopted by the Company; and

(ii) in any 10-year period, not more than 5 per cent. of the ordinary share capital of the Company in issue from time to time may in aggregate be issued or be issuable under the Approved ESOS and the other executive share plans adopted by the Company.

For the purposes of these limits, options which are released or lapse cease to count.

(e) ***HMRC limit***

An employee's participation is limited so that the aggregate price payable for Ordinary Shares under option at any one time does not exceed £30,000 or such other maximum limit as HMRC may determine from time to time. This limit applies to options granted under the Approved ESOS and any other HMRC-approved executive share option scheme established by the Company or its associated companies.

(f) ***Corporate events***

Optionholders may exercise their options early in the event of a change of control of the Company (exercise is not subject to the satisfaction of performance conditions). In certain circumstances, optionholders may exchange their options for options over shares in the acquiring company.

(g) ***Variation of capital***

Options may be adjusted to take account of a variation of the Company's share capital.

(h) ***Amendments***

The International Power Remuneration Committee has power to amend the rules of the Approved ESOS, subject to HMRC approval and subject also to the approval of shareholders in respect of any amendments to the advantage of optionholders (except minor amendments or amendments to take account of any changes in legislation or to obtain or maintain favourable tax treatment for the Company, any subsidiary or any present or future optionholder) which relate to eligibility to participate, the limits on the number of shares over which options may be granted, the maximum entitlement of any optionholder, the basis for determining an optionholder's entitlement to Ordinary Shares and the adjustment of options in the event of a variation of the Company's share capital. No amendments can be made to the Approved ESOS to the disadvantage of participants in respect of options previously granted to them without their 75 per cent. consent (by reference to the number of options held, not the number of participants).

11.2 **International Power plc Unapproved Executive Share Option Plan**

The International Power plc Unapproved Executive Share Option Plan ("**Unapproved ESOS**") is substantially the same as the Approved ESOS except that the approval of HMRC is not required in relation to anything done under the Unapproved ESOS and the Unapproved ESOS has been modified to include the ability to settle options by way of cash equivalent payments equal to the gain in Ordinary Shares under option. In addition, for options granted after 7 November 2005, an optionholder may only exercise his options on termination of employment by reason of redundancy at the discretion of the Remuneration Committee, otherwise his options will lapse.

There is no intention to grant further options under the Unapproved ESOS but there are existing options outstanding under it.

11.3 **International Power plc Global Executive Share Option Plan**

The International Power plc Global Executive Share Option Plan ("**Global ESOS**") is substantially the same as the Unapproved ESOS except that the Global ESOS permits the grant of tax approved Incentive Stock Options to employees in the US.

There is no intention to grant further options under the Global ESOS but there are existing options outstanding under it.

11.4 **International Power plc 2002 Performance Share Plan**

The International Power plc 2002 Performance Share Plan ("**PSP**") is a discretionary, long-term incentive scheme which is not approved by HMRC.

(a) ***Eligibility***

The International Power Remuneration Committee may select any employee or director of the Company or of its subsidiaries to participate in the PSP.

(b) ***Grant of awards***

Awards under the PSP relate to free Ordinary Shares. Awards take the form of a conditional right to acquire Ordinary Shares in the Company or a share option (with a nil-exercise price). Alternatively, on the vesting of a conditional right, the International Power Remuneration Committee may grant a nil-cost share option over the relevant number of vested Ordinary Shares to that participant and the provisions governing share options in the PSP shall then apply equally to such share option.

Awards may be granted during the six-week periods following the announcement of the Company's results to the London Stock Exchange for any financial period and at other times under exceptional circumstances.

Benefits received under the PSP are not pensionable.

(c) ***Performance condition***

The vesting of awards is subject to a performance condition measured over a performance period of not less than three years (the "**Performance Period**"). If an award vests in part only at the end of the Performance Period, the balance of the award will lapse. There is no re-testing of the performance condition.

The Remuneration Committee has determined that 50 per cent. of the awards will be linked to total shareholder return ("**TSR**") performance and 50 per cent. of the award will be linked to earnings per share ("**EPS**") performance.

In respect of the TSR element, for awards granted in 2008 (covering the Performance Period 2008-2010), 2009 (covering the Performance Period 2009-2011) and 2010 (covering the Performance Period 2010-2012), 25 per cent. of the maximum vests for median FTSE 41-80 TSR performance and the maximum vests for upper quartile performance. The extent to which awards vest will be pro-rated for TSR performance between these two points.

The EPS performance targets for awards have been set on a cumulative basis over the three years. Under this condition 25 per cent. of the EPS element of the award will vest if cumulative EPS over the three-year Performance Period reaches a threshold target and 100 per cent. of the EPS element of the award will vest if cumulative EPS over the Performance Period is equal to or greater than a stretch target. The extent to which awards vest will be pro-rated for EPS growth between these two points.

For awards granted in 2008, covering the Performance Period 2008-2010, the threshold target is 87.00 pence per share and the stretch target is 94.00 pence per Ordinary Share.

For options granted in 2009, covering the Performance Period 2009-2011, the threshold target is 87.00 pence per share and the stretch target is 100.00 pence per Ordinary Share.

For options granted in 2010, covering the Performance Period 2010-2012, the threshold target is 72.00 pence per share and the stretch target is 90.00 pence per Ordinary Share.

(d) ***Termination of employment***

Ordinary Shares which are the subject of conditional right awards may normally be delivered to participants (or, if share options have been granted, share options may normally be exercised by participants) after the third anniversary of the grant of the award, subject to the satisfaction of the performance condition set out above.

However, if a participant dies, all of the Ordinary Shares subject to his award will be transferred to his personal representative as soon as possible after his death.

For awards granted before 11 March 2009, if a participant leaves employment through injury, disability, redundancy, retirement (including mutually agreed early retirement), or because his employing company or undertaking is transferred outside the International Power Group (''**good leaver reasons**''), he may exercise his share option within 12 months after he leaves and, in the case of an award which is a conditional right, the Ordinary Shares will be transferred to him as soon as possible after he leaves. However, if he leaves in these circumstances before the performance condition has been satisfied in full, the International Power Remuneration Committee may (acting fairly, reasonably and having regard to UK market practice) decide the number of Ordinary Shares under an award which may be issued or transferred to him, having regard to the performance of the Company since the start of the performance period (or, if later, the last occasion on which performance could be evaluated for the purposes of the performance condition).

For awards granted on or after 11 March 2009, if a participant leaves employment for a good leaver reason (other than redundancy), he may only exercise his share option or Ordinary Shares subject to a conditional award may only be transferred to the extent to which the performance condition is satisfied. Such exercise must be within 12 months of (or in the case of a conditional award, the transfer of Ordinary Shares must be as soon as possible after) the later of the date of cessation of employment and the date on which the Remuneration Committee determines the extent to which the performance condition has been satisfied. Where the date of cessation of employment falls prior to the end of the Performance Period, the number of Ordinary Shares which vest will be pro-rated to take account of the length of time that the employee was employed during the Performance Period.

If a participant leaves in any other circumstances (including redundancy for awards granted after 11 March 2009), his awards will lapse unless the International Power Remuneration Committee decides otherwise.

(e) ***Limits***

The PSP contains the following dilution limits:

(i) in any ten-year period, the number of Ordinary Shares in the Company that may be placed under option or issued under the PSP and the other executive share plans adopted by the Company may not exceed 5 per cent. of the ordinary share capital of the Company in issue from time to time; and

(ii) in any ten-year period, the number of Ordinary Shares in the Company that may be placed under option or issued under the PSP and the other employees' share plans adopted by the Company may not exceed 10 per cent. of the ordinary share capital of the Company in issue from time to time.

The value of Ordinary Shares that may be awarded to a participant in any financial year under the PSP shall not exceed two times salary.

(f) ***Corporate events***

If there is a change of control, reconstruction or winding up of the Company, the International Power Remuneration Committee may decide the number of Ordinary Shares under an award which may be issued or transferred to a participant in accordance with the principles set out above in relation to good leavers. However, if participants are offered the opportunity to roll over their awards in return for new awards over shares in the acquiring company, the International Power Remuneration Committee may decide that awards will not vest if they are not rolled-over.

(g) ***Variation of capital***

If there is a variation of the share capital of the Company, the International Power Remuneration Committee may make appropriate adjustments to the number of Ordinary Shares under awards and, in the case of awards which are share options, to the exercise price (if any) of those share options.

(h) ***Cash alternative and phantom awards***

When participants are entitled to have Ordinary Shares under an award transferred to them, the International Power Remuneration Committee may choose to pay participants in cash instead (for example, where it is necessary for legal or tax reasons). The amount to be paid will, in the case of a share option, be equal to the participant's gain on exercise of that share option and, in the case of a conditional right, the market value of the Ordinary Shares under the conditional right.

Furthermore, the International Power Remuneration Committee may decide, prior to grant, that an award shall be expressed to be a right to acquire a cash sum (calculated by reference to the value of a specified number of Ordinary Shares in the Company) rather than Ordinary Shares. This type of award (a phantom award) will normally only be granted to participants in jurisdictions where, because of local securities laws and/or exchange control provisions, it is difficult (or impossible) to issue or transfer Ordinary Shares to employees.

(i) ***Amendments***

The PSP may be altered by the International Power Remuneration Committee at any time. However, the prior approval of the Company in general meeting will be required for amendments to the advantage of participants relating to eligibility, the individual limit, overall dilution limits, exercise periods and leaver provisions, takeover provisions and variations of share capital, except for minor amendments to benefit the administration of the PSP, or any amendments to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or participating companies.

No amendment can be made to the PSP to the disadvantage of participants in respect of any awards granted to them without their majority consent.

11.5 International Power plc SAYE Plan

The International Power plc SAYE Plan ("**UK SAYE Plan**") is an all-employee, savings-related, share option plan, which was approved by HMRC on 2 October 2000. The UK SAYE Plan has now expired and it is no longer possible to grant further options under it and so no details have been included below in relation to eligibility criteria or grant procedure.

(a) ***Exercise of options***

An option may not normally be exercised until the optionholder has completed his savings contract (which will usually be three or five years from the date of commencement of the savings contract) and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company or business which employs the optionholder is transferred out of the International Power Group.

If an optionholder ceases employment for any other reason, his/her option will lapse.

(b) ***Limit***

In any ten-year period, the number of Ordinary Shares which may be placed under option or issued under the UK SAYE Plan and the other employees' share plans adopted by the Company may not exceed 10 per cent. of the Company's ordinary share capital in issue from time to time.

(c) ***Corporate events***

Special provisions also allow early exercise in the event of a change of control, reconstruction or winding up of the Company. In certain circumstances optionholders may exchange their options for options over shares in the acquiring company.

(d) ***Variation of capital***

In the event of an increase or variation of the share capital of the Company, the International Power Board may make such adjustments as it considers appropriate to the number of Ordinary Shares under option and the price at which they may be acquired. Adjustments to the terms of options must be approved by HMRC.

(e) ***Amendments***

The International Power Board may at any time amend or add to all or any of the provisions of the UK SAYE Plan in any respect, provided that the prior approval of the Company in general meeting is required for any amendment to the advantage of optionholders to the provisions relating to eligibility, individual and overall limits, the rights attaching to options and Ordinary Shares under the UK SAYE Plan and the terms of adjustments that may be made in the event of a variation of capital.

Minor amendments to benefit the administration of the UK SAYE Plan to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for an optionholder or any member of the International Power Group and the Enlarged International Power Group following Closing do not require the approval of the Company in general meeting. Any amendment to the disadvantage of optionholders in relation to options already granted to them requires their 75 per cent. consent (by reference to the number of options held, not the number of optionholders).

11.6 International Power plc Global Sharesave Plan

The International Power plc Global Sharesave Plan ("**Global SAYE Plan**") is a savings-related, share option plan based on the UK SAYE Plan, but modified to take account of overseas tax, securities and exchange control laws and regulations. Such modifications include the ability to settle options by way of cash equivalent payments equal to the gain in the options.

There is no intention to grant further options under the Global SAYE Plan.

11.7 International Power plc 2010 UK Sharesave Plan

The International Power plc 2010 UK Sharesave Plan ("**UK 2010 SAYE Plan**") is an all-employee, savings-related, share option plan that was approved by HMRC on 29 July 2010 to replace the equivalent UK SAYE Plan, under which it is no longer possible to grant further options. The first grants under the UK 2010 SAYE Plan were made in 2010.

Set out below is a summary of its main features.

(a) ***Eligibility***

An individual must be an employee or full-time director of the Company or a participating subsidiary who is resident in the UK on the date that options are granted and who has been an employee or full-time director for such qualifying service period (not exceeding five years) as the International Power Board may determine. An individual is a full-time director if he is obliged to devote not less than 25 hours per week to his duties with the company concerned.

The International Power Board has a discretion to nominate employees who do not satisfy the above conditions to participate in the UK 2010 SAYE Plan. The International Power Board can decide which subsidiaries participate in the UK 2010 SAYE Plan.

(b) ***Grant of options***

The International Power Board may invite all eligible employees to apply for options during the period of six weeks beginning on the dealing day following the date on which the Company announces its results for any period or at any other time when the International Power Board considers that there are exceptional circumstances justifying the issue of invitations.

No options may be granted after the period of 10 years from the date of approval of the UK 2010 SAYE Plan. Options granted under the UK 2010 SAYE Plan are personal to the optionholder and, except on the death of the optionholder, may not be transferred. Options granted under the UK 2010 SAYE Plan are not pensionable.

(c) ***Savings contract***

An eligible employee who applies for an option under the UK 2010 SAYE Plan must also enter into a savings contract approved by HMRC for a specified period of three or five years. The International Power Board has discretion to determine which of the savings contracts will be available in respect of any invitation to apply for options. Under this contract, the employee will agree to make monthly savings contributions of a fixed amount which may not exceed the statutory maximum (currently, £250 per month). Ordinary Shares in the Company may only be acquired under the UK 2010 SAYE Plan on the exercise of the options using the payment under this contract. Payment will be taken as including the bonus payable under the savings contract, unless otherwise decided by the International Power Board.

(d) ***Option price***

The International Power Board shall determine the price payable for each International Power Ordinary Share under option, provided that the price shall not be less than the higher of:

(i) 80 per cent. of the average of the middle market quotations for an Ordinary Share in the Daily Official List of the London Stock Exchange on the three consecutive dealing days prior to the date on which invitations to apply for options are issued (or on such other day or days as may be agreed with HMRC), provided that no such days may fall before the date on which the Company announces its results for any period; or

(ii) the nominal value of an Ordinary Share, if the option relates to new Ordinary Shares.

(e) ***Scaling down***

Applications to participate in the UK 2010 SAYE Plan may be scaled down by the International Power Board if applications exceed the number of Ordinary Shares available for the grant of options. The ways in which scaling down may be carried out are set out in the rules of the UK 2010 SAYE Plan and have been approved by HMRC.

(f) ***Exercise of options***

An option may not normally be exercised until the optionholder has completed his savings contract (which will usually be three or five years from the date of commencement of the savings contract) and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company or business which employs the optionholder is transferred out of the International Power Group.

If an optionholder ceases employment for any other reason, his/her option will lapse.

(g) ***Limit***

In any ten-year period, the number of Ordinary Shares which may be placed under option or issued under the UK 2010 SAYE Plan and the other employees' share plans adopted by the Company may not exceed 10 per cent. of the Company's ordinary share capital in issue from time to time.

Market purchase Ordinary Shares which are transferred from a trust to satisfy options under the UK 2010 SAYE Plan do not count towards this limit. However, Ordinary Shares transferred out of treasury to satisfy options under the UK 2010 SAYE Plan shall be treated as issued for the purposes of the limit so long as this is required under institutional shareholder guidelines.

(h) ***Corporate events***

Special provisions also allow early exercise in the event of a change of control, reconstruction or winding up of the Company. Internal reorganisations do not automatically trigger the early exercise of options.

(i) ***Variation of capital***

In the event of an increase or variation of the share capital of the Company, the International Power Board may make such adjustments as it considers appropriate to the number of shares under option and the price at which they may be acquired. Adjustments to the terms of options must be approved by HMRC.

(j) ***Amendments***

The International Power Board may at any time amend or add to all or any of the provisions of the UK 2010 SAYE Plan in any respect, provided that no amendment to a feature of the UK 2010 SAYE Plan that is necessary for it to be approved by HMRC may be made without the prior approval of HMRC. In addition, the prior approval of the Company in general meeting is required for an amendment to the advantage of optionholders to the provisions relating to eligibility, individual and overall limits, the basis for determining a participant's entitlement to, and the terms of, Ordinary Shares provided under the UK 2010 SAYE Plan, and the adjustments that may be made in the event of a variation of capital.

Minor amendments to benefit the administration of the UK 2010 SAYE Plan to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for an optionholder or any member of the International Power Group do not require the approval of the Company in general meeting. Any amendment to the disadvantage of optionholders in relation to options already granted to them requires the majority consent of optionholders.

11.8 International Power plc 2010 Global Sharesave Plan

The International Power plc 2010 Global Sharesave Plan ("**Global 2010 SAYE Plan**") is a savings-related, share option plan based on the UK 2010 SAYE Plan, but modified to take account of overseas tax, securities and exchange control laws and regulations. Such modifications include the ability to grant phantom options whereby participants receive a cash sum calculated by reference to the growth in the value of a specified number of Ordinary Shares and the ability to settle options by way of cash equivalent payments equal to the value of Ordinary Shares under the options.

The first grants under the Global 2010 SAYE Plan were made in 2010. The Global 2010 SAYE Plan was adopted to replace the equivalent Global SAYE Plan under which it will shortly no longer be possible to grant further options.

11.9 International Power plc 2010 UK Share Incentive Plan

The International Power plc 2010 UK Share Incentive Plan ("**SIP**") is an all-employee share plan that was approved by HMRC on 19 August 2010. The SIP was operated for the first time in 2010, although the Company has only offered Partnership Shares to be satisfied by Ordinary Shares purchased in the market. Set out below is a summary of its main features:

(a) ***Outline***

The SIP is intended to be flexible and the Company may offer any combination of the features outlined below to allow eligible employees to obtain Ordinary Shares in the Company. Under the SIP, the Company can:

(i) give up to £3,000 worth of free Ordinary Shares a year to an employee ("**Free Shares**");

(ii) offer an employee the opportunity of buying up to £1,500 of Ordinary Shares a year ("**Partnership Shares**") out of pre-tax salary;

(iii) give an employee up to two free matching Ordinary Shares for each Partnership Share bought ("**Matching Shares**"); and

(iv) in addition to buying up to £1,500 of Partnership Shares each year, allow employees to purchase more Ordinary Shares using dividends received on Free Shares, Partnership Shares and Matching Shares ("**Dividend Shares**"). Employees may buy up to £1,500 of Dividend Shares annually.

Any award under the SIP is not pensionable, although the salary used to purchase Partnership Shares will be.

(b) ***Eligibility***

Each time that the International Power Board (or a duly authorised committee thereof) decides to operate the SIP, all UK resident tax-paying employees of the Company and its participating subsidiaries must be offered the opportunity to participate. The International Power Board can require employees to have completed a minimum qualifying period of employment before they can participate, but that period must not exceed eighteen months. Other employees may be permitted to participate at the International Power Board's discretion.

(c) ***Free Shares***

Up to £3,000 worth of Free Shares can be awarded to each employee in a tax year. Free Shares must be awarded on similar terms, so that the number awarded to each employee is determined by standard criteria such as remuneration, length of service and number of hours worked. The award of Free Shares can, if the Company so chooses, be subject to the satisfaction of a pre-award performance target which measures the objective success of the individual, team, division or business.

There is a holding period of between three and five years (the precise duration to be determined by the International Power Board) during which the employee cannot withdraw the Free Shares from the SIP unless the employee leaves employment.

The International Power Board can, at its discretion, provide that the Free Shares will be forfeited if the employee leaves employment other than in the circumstances of injury, disability, redundancy, transfer of the employing business or company out of the group, on reaching retirement age or on death. Forfeiture can only take place within 3 years of the Free Shares being awarded.

(d) ***Partnership Shares***

The International Power Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,500 or 10 per cent. of salary in any tax year. The salary allocated to Partnership Shares can be accumulated for a period up to 12 months ("**Accumulation Period**") or Partnership Shares can be purchased monthly out of deductions from the employee's pay. In either case, Partnership Shares must be bought within 30 days of, as appropriate, the end of the Accumulation Period or the deduction from pay. An employee may stop and start deductions at any time. Once acquired, Partnership Shares may be withdrawn from the SIP by the employee at any time and are not subject to any risk of forfeiture.

(e) ***Matching Shares***

The International Power Board may offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased.

There is a holding period of between three and five years during which the employee cannot withdraw the Matching Shares from the SIP unless the employee leaves employment.

The International Power Board can, at its discretion, provide that the Matching Shares will be forfeited if the employee leaves employment other than in the circumstances of injury, disability, redundancy, transfer of the employing business or company out of the group or on reaching retirement age or on death or if the associated Partnership Shares are withdrawn by the employee. Forfeiture can only take place within 3 years of the Matching Shares being awarded.

(f) ***Investment of Dividends***

The International Power Board may allow an employee to reinvest dividends in up to £1,500 of Ordinary Shares each tax year. Dividend Shares must be held in the SIP for three years, unless the employee leaves employment. Once acquired, Dividend Shares are not subject to any risk of forfeiture.

(g) ***Plan Trust***

The SIP is operated through a UK resident trust ("**SIP Trust**"). The SIP Trust purchases Ordinary Shares that are subsequently awarded to employees. The money to buy Ordinary Shares will be provided either by the Company or, if employees are allowed to acquire Partnership Shares, by the employees.

(h) ***Limit***

In any ten-year period, the number of Ordinary Shares which may be placed under option or issued under the SIP and the other employees' share plans adopted by the Company may not exceed 10 per cent. of the Company's ordinary share capital in issue from time to time.

(i) ***Amendments***

The International Power Board may at any time amend the SIP. However, the prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits or the basis for determining an employee's entitlement to Ordinary Shares or the provisions affecting variations of share capital, except for any minor amendment to benefit the administration of the SIP, to take account of any change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the International Power Group. In addition, any change to the key features of the SIP (being the provisions necessary to meet the requirements of the relevant tax legislation) requires the prior approval of HMRC.

International Power Share Schemes

Following Closing, participants in the PSP will be offered the opportunity to cancel their existing PSP awards in return for a cash payment from the Company. The amount of the cash payment will reflect the extent to which PSP awards would have vested if the Transaction had been a change of control event for the purposes of the PSP. The relevant performance conditions will be calculated up to the end of 2010 and the level of vesting according to performance will then be reduced on a time basis to reflect the fact that Closing of the Transaction will occur before the end of the applicable Performance Periods.

However, in order to ensure that PSP participants are incentivised to stay with Enlarged International Power and to align their interests with those of Shareholders, a new restricted share plan will be put in place for PSP participants following Closing. The number of restricted Ordinary Shares conditionally awarded to each PSP participant will be based on PSP performance up to the end of 2010 and pro-rated for time to the end of the year following Closing, less the number of Ordinary Shares to which the above cash payment relates.

The restricted Ordinary Shares will vest at the end of 2011 or earlier in certain "good leaver" circumstances.

If the awarding of restricted Ordinary Shares may give rise to regulatory or tax/social security difficulties in any jurisdictions, then alternative arrangements (having, so far as reasonably possible, a similar effect to restricted Ordinary Shares) may be put in place for PSP participants in those jurisdictions.

Outstanding options held under the Approved, Unapproved and Global ESOS plans will be allowed to vest early, as permitted by the rules of those Plans, as a result of the proposed Special Dividend. The intention is that participants will be able to exercise their options in time to qualify for the Special Dividend.

The terms of options outstanding under the UK SAYE, Global SAYE, UK 2010 SAYE and Global 2010 SAYE Plans will not be adjusted as a result of the Transaction, although, when participants later exercise their options under these Plans following the record date for payment of the Special Dividend, they will be entitled to receive a cash payment of 92 pence per Ordinary Share to compensate them for not having received the Special Dividend.

11.10 **Aggregate options and awards under the International Power Share Schemes**

The aggregate number of Ordinary Shares outstanding pursuant to options and awards under the International Power Share Schemes as at 17 December 2010, the latest practicable date prior to the date of this Prospectus (inclusive of the options and awards granted to International Power Directors disclosed above) was 20,848,009.

11.11 Save as disclosed in this paragraph 11 of Part 12 (*Additional Information*), neither International Power nor any of its subsidiaries has granted any options over its share or loan capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such options.

12. MAJOR SHAREHOLDERS

12.1 So far as is known to International Power the following persons are directly or indirectly interested in 3 per cent. or more of International Power's issued share capital as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus) and immediately following Admission based on International Power's issued share capital as at 17 December 2010 and 3,554,347,956 New Ordinary Shares being issued in connection with the Combination:

Name	*Number of Ordinary Shares as at 17 December 2010*	*per cent. of voting rights in respect of issued ordinary share capital as at 17 December 2010*	*per cent. of voting rights in respect of enlarged issued ordinary share capital immediately following Admission*(1)
Invesco Limited	170,738,395	11.18%	3.36%
Fidelity International	91,275,876	5.98%	1.80%
Blackrock Inc.	89,785,336	5.88%	1.77%
Legal & General	62,944,235	4.12%	1.24%
Total	**414,743,842**	27.16%	8.16%

Notes:

(1) Assuming that no options are exercised or shares issued under the International Power Share Schemes or shares issued on conversion of the Convertible Bonds between 17 December 2010 and Admission.

12.2 So far as is known to International Power, the following persons (other than those persons set out in paragraph 12.1 of Part 12 (*Additional Information*)) shall be directly or indirectly interested in 3 per cent. or more of International Power's issued share capital immediately following Admission (based on International Power's issued share capital as at 17 December 2010, 3,554,347,956 New Ordinary Shares being issued pursuant to the Transaction and assuming that no options are exercised or shares issued under the International Power Share Schemes or shares issued on conversion of any of the Convertible Bonds between 17 December 2010 and Admission).

Name	Number of Ordinary Shares immediately following Admission	per cent. of voting rights in respect of enlarged issued share capital of International Power immediately following Admission
Electrabel (a wholly-owned subsidiary of GDF SUEZ)	3,554,347,940	70%
Total	3,554,347,940	70%

12.3 None of the major shareholders in International Power has voting rights that differ from those of other International Power Shareholders.

12.4 As at 17 December 2010 (the latest practicable date prior to the date of this Prospectus), and so far as is known to International Power, there is one person who, at Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over International Power. This person is Electrabel, a wholly-owned subsidiary of GDF SUEZ. The Relationship Agreement, which has been entered into between International Power, GDF SUEZ and Electrabel, records the understanding between International Power, GDF SUEZ and Electrabel regarding the governance of International Power, and the exercise of certain entitlements of Electrabel in respect of its New Ordinary Shares in International Power, in each case, following Admission of the New Ordinary Shares. Further details of the Relationship Agreement are provided in paragraph 16.1(b) of Part 12 (*Additional Information*).

12.5 As at 17 December 2010 (being the latest practicable date prior to the date of this Prospectus), International Power is not aware of any person who, following the Combination, directly or indirectly, jointly or severally, will exercise or could exercise control over International Power other than GDF SUEZ's wholly-owned subsidiary, Electrabel, as described in paragraph 12.4 of Part 12 (*Additional Information*).

13. RELATED PARTY TRANSACTIONS

13.1 Save as disclosed in the financial information set out in note 23 to the Restated Consolidated Financial Information for the three financial years ended 31 December 2009 on page 283 of this Prospectus and note 13 to the Restated 2010 Condensed Interim Financial Information on page 308 of this Prospectus, International Power has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 and during the period between 1 January 2010 and 17 December 2010 (the latest practicable date prior to the publication of this Prospectus).

13.2 Save as disclosed in note 23 to the financial information on the GDF SUEZ Energy International Division set out in Section B and Section D of Part 8 (*GDF SUEZ Energy International Financial Information*), and incorporated by reference into this Prospectus, no member of the GDF SUEZ Energy International Division has entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 and during the period between 1 January 2010 and 17 December 2010 (the latest practicable date prior to the date of this Prospectus).

14. SIGNIFICANT SUBSIDIARIES OF INTERNATIONAL POWER

International Power is the holding company of an international group of companies.

The following is a list of International Power's significant subsidiaries, joint ventures and associated undertakings (each of which is considered by International Power to be likely to have a significant effect on the assessment of the assets, liabilities, financial position and/or profits and losses of the International Power Group as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus):

Subsidiaries

Name and nature of business	*Place of incorporation (or registration) and operation*	*Type of share*	*International Power Group effective*[1] *shareholding*
North America			
International Power Canada Inc, (power generation) ...	Canada	Ordinary Shares	100%
ANP Bellingham Energy Company, LLC (power generation) ...	US	Ordinary Shares	100%
ANP Blackstone Energy Company, LLC (power generation) ...	US	Ordinary Shares	100%
Armstrong Energy Limited Partnership, LLLP (power generation) ...	US	Partners' Capital	100%
Calumet Energy Team, LLC (power generation) ...	US	Ordinary Shares	100%
Coleto Creek Power LP (power generation) ...	US	Partners' Capital	100%
Hays Energy Limited Partnership (power generation) ..	US	Partners' Capital	100%
Midlothian Energy Limited Partnership (power generation) ...	US	Partners' Capital	100%
Milford Power Limited Partnership (power generation)	US	Partners' Capital	100%
Pleasants Energy, LLC (power generation) ...	US	Ordinary Shares	100%
Troy Energy, LLC (power generation) ...	US	Ordinary Shares	100%
Europe			
First Hydro Company (power generation) ...	England and Wales	Ordinary Shares	75%
First Hydro Finance plc (financing company) ...	England and Wales	Ordinary Shares	75%
Indian Queens Power Limited (power generation) ...	England and Wales	Ordinary Shares	75%
IPM Energy Trading Limited (energy trading) ...	England and Wales	Ordinary Shares	75%
Rugeley Power Limited (power generation) ...	England and Wales	Ordinary Shares	75%
Saltend Cogeneration Company Limited (power generation) ...	England and Wales	Shares Ordinary	75%
Deeside Power Limited[1] (power generation) ...	Gibraltar	Ordinary Shares	75%
IP Maestrale Investments Limited[1] (investment holding company) ...	Gibraltar	Ordinary Shares	100%
IPM Portfolio Trading Limited[1] (energy trading) ...	Gibraltar	Ordinary Shares	75%
Levanto Structured Energy (Lux) S.à.r.l. (investment holding company) ...	Luxembourg	Ordinary Shares	100%
International Power Levanto Investments Limited[2] (investment holding company) ...	England and Wales	Ordinary Shares	100%
Turbogás – Produtora Enérgetica S.A. (power generation) ...	Portugal	Ordinary Shares	100%
Electro Metalurgica del Ebro SL (power generation) ...	Spain	Ordinary Shares	64%
Ibérica de Enérgías SL (power generation) ...	Spain	Ordinary Shares	70%
Middle East			
Al Kamil Power Company SAOG (power generation)	Oman	Ordinary Shares	65%
Tihama Power Generation Company Limited (power generation) ...	Saudi Arabia	Ordinary Shares	60%
Australia			
Canunda Power Pty Limited (power generation) ...	Australia	Ordinary Shares	100%
Gippsland Power Pty Limited (power generation) ...	Australia	Ordinary Shares	70%
Hazelwood Power Partnership (power generation) ...	Australia	Partners' Capital	92%

Name and nature of business	*Place of incorporation (or registration) and operation*	*Type of share*	*International Power Group effective[1] shareholding*
Latrobe Power Partnership (power generation)	Australia	Partners' Capital	70%
Perth Power Partnership[3] (power generation)	Australia	Partners' Capital	49%
Simply Energy (retail supplier)	Australia	Partners' Capital	100%
Synergen Power Pty Limited (power generation)	Australia	Ordinary Shares	100%
Pelican Point Power Limited[4] (power generation)	England and Wales	Ordinary Shares	100%
Asia			
Thai National Power Company Limited (power generation)	Thailand	Ordinary Shares	100%
Corporate			
International Power Finance (2010) plc	England and Wales	Ordinary Shares	100%
IPM Eagle LLP[5] (investment holding company)	England and Wales	Partners' Capital	70%
Normanglade 4 LLP (financing company)	England and Wales	Partners' Capital	70%
IPM (UK) Power Holdings Limited[1] (investment holding company)	Gibraltar	Ordinary Shares	75%
IPR Insurance Company Limited[5] (insurance captive)	Guernsey	Ordinary Shares	100%
International Power (Jersey) Limited (financing company)	Jersey	Ordinary Shares	100%
International Power Finance (Jersey) II Limited (financing company)	Jersey	Ordinary Shares	100%
International Power Finance (Jersey) III Limited[5] (financing company)	Jersey	Ordinary Shares	100%

All subsidiaries operate in their country of incorporation, except as indicated below. The year end for all subsidiaries listed is 31 December. The International Power Group also has a number of overseas branch offices.

(1) Operates in the UK.

(2) International Power consolidates the results, assets and liabilities of Breeze Two Energy as required under IFRS.

(3) Perth Power Partnership is a 70 per cent. owned subsidiary of IPM Eagle LLP, a 70 per cent. owned subsidiary of International Power plc.

(4) Operates in Australia.

(5) Held directly by International Power plc.

Joint Ventures

Name and nature of business	*Place of incorporation (or registration) and operation*	*Accounting period end*	*Type of share*	*International Power Group effective shareholding*
Joint ventures				
North America				
EcoElectrica LP(1) (power generation)...	Bermuda	31 December	Partners' Capital	35%
Oyster Creek Limited Partnership (power generation)	United States	31 December	Partners' Capital	50%
Europe				
T-Power N.V.(2) (power generation)......	Belgium	31 December	Ordinary Shares	33%
Elecgas S.A. (power generation)...........	Portugal	31 December	Ordinary Shares	50%
Australia				
South East Australia Gas Pty Limited (gas pipeline)	Australia	30 June	Ordinary Shares	33%
Asia				
Uch Power (Pvt) Limited(3) (power generation)	Pakistan	31 December	Ordinary Shares	71%(2)

Associates

Europe				
Derwent Co-generation Limited (power generation)	England and Wales	31 March	Ordinary Shares	23%
Opus Energy Limited (retail supplier)	England and Wales	31 March	Ordinary Shares	30%
ISAB Energy Sri (power generation).....	Italy	31 December	Ordinary Shares	34%
Carbopego-Abastecimento de Combustiveis, S.A. (fuel supplier)	Portugal	31 December	Ordinary Shares	50%
Pegop-Energia Electrica, S.A. (power station operations)	Portugal	31 December	Ordinary Shares	50%
Tejo Energia-Producao e Distribuicao de Energia Electrica, S.A. (power generation)	Portugal	31 December	Ordinary Shares	50%
Uni-Mar Enerji Yatirimlari A.S. (power generation)	Turkey	31 December	Ordinary Shares	33%
Middle East				
Hidd Power Company BSC(c) (power generation and desalination).............	Bahrain	31 December	Ordinary Shares	40%
Q Power QSC (power generation and desalination)......................................	Qatar	31 December	Ordinary Shares	40%
Arabian Power Company PJSC(power generation and desalination).............	UAE	31 December	Ordinary Shares	20%
Fujairah Asia Power Company PJSC (power generation and desalination)..	UAE	31 December	Ordinary Shares	20%
Shuweihat CMS International Power Company PJSC (power generation and desalination)...............................	UAE	31 December	Ordinary Shares	20%
Asia				
PT Paiton Energy Company (power generation)	Indonesia	31 December	Ordinary Shares	41%(4)
Kot Addu Power Company Limited.....	Pakistan	30 June	Ordinary Shares	36%
The Hub Power Company Limited(3)....	Pakistan	30 June	Ordinary Shares	17%

All joint ventures and associates operate in their country of incorporation except as identified.

(1) Operates in Puerto Rico.
(2) Acquired during the year ended 31 December 2008.
(3) The Company's effective shareholding in the joint venture that owns Uch Power (Pvt) Limited is currently 75 per cent.

(3) International Power continues to equity account for The Hub Power Company Limited, despite its shareholding being less than 20 per cent., as it continues to exert and has the power to exert significant influence over the entity. At The Hub Power Company Limited, International Power continues to have significant board representation.

(4) In addition to its 31 per cent. indirect equity participation, International Power acquired the right to an additional 9.2 per cent. economic interest in June 2007.

15. SIGNIFICANT SUBSIDIARIES WITHIN THE GDF SUEZ ENERGY INTERNATIONAL DIVISION

The international energy division assets of GDF SUEZ, which is constituted by the GDF SUEZ Energy International Division, has not in the past formed a separate legal group. The following is a list of significant GDF SUEZ IED Entities within the GDF SUEZ Energy International Division (each of which is considered to be likely to have a significant effect on the assessment of the assets, liabilities, financial position and/or profits and losses of the GDF SUEZ Energy International Division) as at 17 December 2010 (the latest practicable date prior to the date of this Prospectus):

Name	*Place of incorporation (or registration) and operation*	*Proportion of ownership interest per cent.*	*Proportion of voting power held per cent.*
GDF SUEZ Energy UK Ltd	UK	100.0	100.0
GDF SUEZ Teeside Ltd	UK	100.0	100.0
STSA GSEI Division	Belgium	100.0	100.0
GDF SUEZ CC B	Belgium	100.0	100.0
Northeast Energy Associates	US	50.0	50.0
North Jersey Energy Associates	US	50.0	50.0
Astoria Energy, LLC	US	65.4	65.4
First Light Hydro Generating Company	US	100.0	100.0
SUEZ LNG Shipping NA LLC	US	100.0	100.0
Distrigas LLC	US	100.0	100.0
Distrigas of Massachusetts LLC	US	100.0	100.0
GDF SUEZ Energy Resources, NA Inc.	US	100.0	100.0
ENERSUR	Peru	61.7	61.7
ELECTROANDINA	Chile	52.4	100.0
E-CL S.A.	Chile	52.4	52.4
CENTRAL TERMOELECTRICA ANDINA SA	Chile	52.4	100.0
Sociedad GNL Mejillones SA	Chile	63.0	100.0
ENERGIA SUSTENTAVEL DO BRASIL SA	Brazil	50.1	50.1
COMPANHIA ENERGETICA SAO SALVADOR	Brazil	68.7	100.0
ITA ENERGETICA S.A.	Brazil	33.5	48.8
TRACTEBEL ENERGIA S.A.	Brazil	68.7	68.7
PONTE DE PEDRA ENERGETICA S.A.	Brazil	68.7	100.0
SUEZ ENERGIA RENOVAVEL S.A.	Brazil	68.7	100.0
BAYMINA ENERJI A. S.	Turkey	95.0	95.0
STSA SEI (Dubaï Branch)	Belgium	100.0	100.0
SOHAR POWER COMPANY	Sultanate of Oman	45.0	45.0
Group SENOKO POWER LIMITED	Singapore	30.0	30.0
GHECO-ONE	Thailand	44.9	65.0
Glow Energy Public Co.,Ltd.	Thailand	69.1	69.1
Glow SPP 2 Co.,Ltd.	Thailand	69.1	69.1
Glow SPP 1 Co.,Ltd.	Thailand	69.1	69.1
Glow Co.,Ltd.	Thailand	69.1	69.1

16. MATERIAL CONTRACTS

16.1 International Power

The following is a summary of contracts (not being entered into in the ordinary course of business) which have been entered into by members of the International Power Group: (i) within the two years immediately preceding the date of this Prospectus and which are, or may be, material; or (ii) which contain any provision under which any member of the International Power Group has any obligation or entitlement which is material to the International Power Group as at the date of this Prospectus.

(a) ***Merger Deed***

The Merger Deed regulates the parties' rights and obligations in relation to the implementation of the Transaction and provides certain assurances and confirmations between them as described below.

Acquisition of GDF SUEZ Energy International Division and issue of New Ordinary Shares

The Merger Deed sets out the steps for implementation of the Transaction, whereby International Power will issue the New Ordinary Shares to the Sellers and Electrabel (a wholly-owned subsidiary of GDF SUEZ) will procure the transfer of the GDF SUEZ Energy International Holding Companies, together with their respective interests in other members of the GDF SUEZ Energy International Division, to International Power upon Closing of the Transaction.

Conditions to Closing

Closing is conditional upon and will not take place until Admission. Accordingly, Admission is the final Condition. Closing is also subject to the satisfaction or, where permitted, waiver of a number of other Conditions prior to Admission including:

- the affirmative vote in favour of the Resolutions by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting. This was satisfied on 16 December 2010;
- anti-trust clearance from the European Commission;
- authorisation from the US Federal Energy Regulatory Commission. This authorisation was granted on 10 December 2010;
- clearance from the Committee on Foreign Investment in the United States. This clearance was granted on 27 October 2010;
- authorisation from the Public Service Commission of the State of New York pursuant to New York Public Service Law Section 70. This authorisation was granted on 22 November 2010;
- the approval of the Public Utility Commission of Texas pursuant to the Texas Public Utility Regulatory Act. This approval was granted on 7 December 2010;
- in respect of the GDF SUEZ Energy International Division's shareholdings in listed companies in Brazil and Thailand, confirmations from the relevant regulators that the Transaction will not trigger any obligation to make a mandatory bid for the shares in such companies not held by the GDF SUEZ Energy International Division. A confirmation to this effect was granted by the relevant regulator in Thailand on 15 December 2010;
- the Treasurer of the Commonwealth of Australia stating that there are no objections to the Transaction under the foreign investment rules applicable in Australia or the Treasurer becoming precluded from making an order in respect of the Transaction under such rules. On 10 November 2010, the Treasurer of the Commonwealth of Australia stated that there are no objections to the Transaction under the foreign investment rules applicable in Australia; and
- The Victorian Essential Services Commission making a determination in favour of the Transaction under applicable legislation. The Victorian Essential Services Commission made such a determination on 3 December 2010.

The Conditions may be waived, in whole or in part if mutually agreed by International Power and Electrabel, to the extent legally permissible.

Closing is also conditional on:

- the GDF SUEZ Energy International Reorganisation having been implemented by the GDF SUEZ Group in accordance with the Merger Deed;
- GDF SUEZ and Electrabel having taken certain steps required in connection with the payment of the Special Dividend, including making the Cash Injection; and
- obtaining the consents required for the Transaction or the GDF SUEZ Energy International Reorganisation in order to avoid certain consequences arising under the documentation relating to the ownership, financing or operation of the Senoko Power Station or the GDF SUEZ Energy International Division's interest in the Senoko Power Station, where such consequences would be material in the context of the Transaction.

These conditions (the "**GDF SUEZ Conditions**") may, however, be waived, in whole or in part, by International Power at its discretion.

On 4 October 2010, early termination of the waiting period under the US Hart-Scott-Rodino Act was granted in respect of the Combination.

It is currently expected that Closing will occur in early 2011.

Termination rights

The Merger Deed may be terminated in the following circumstances:

- by mutual consent of the parties;
- by International Power or Electrabel if, prior to Closing, an event occurs or has occurred which has or is reasonably likely to have a particular material adverse effect on, respectively, the GDF SUEZ Energy International Division or the International Power Group taken as a whole (excluding general changes in markets or the business, economic, political, social or regulatory conditions in a jurisdiction). This termination right would only be triggered if the relevant event would, or would be reasonably likely to, decrease the consolidated net asset value of the GDF SUEZ Energy International Division or the International Power Group (as the case may be) by more than 20 per cent.; or the relevant event is the expropriation by a government or other authority of an asset of the relevant group which would be material to the Enlarged International Power Group as a whole;
- by either International Power or Electrabel if all of the Conditions have not been satisfied or, where permitted, waived by 30 June 2011 or if any of the other conditions to Closing become incapable of satisfaction (**provided that** International Power alone has a right to terminate for failure of Electrabel to satisfy the GDF SUEZ Condition). However, if the Merger Deed is terminated in these circumstances (but other than where International Power has exercised its sole right of termination) the parties must for a period of 3 months following termination, negotiate in good faith with a view to reaching agreement on the terms of any alternative means of completing the Transaction or a transaction economically equivalent to the Transaction; or
- by Electrabel if an event occurs for which International Power is liable to pay the €60 million break fee to Electrabel (see below for details regarding the circumstances in which this €60 million break fee is payable).

The Merger Deed also permitted termination (i) by either International Power or Electrabel had the Shareholders not approved the Resolutions at the General Meeting; or (ii) by Electrabel had the International Power Directors withdrawn or adversely modified or qualified their recommendation of the Transaction before the Resolutions were passed at the General Meeting. On 16 December 2010, the Resolutions were approved by the requisite number of Shareholders at the General Meeting and without any such withdrawal, modification or qualification by the International Power Directors of their recommendation of the Transaction. These termination events are therefore no longer applicable.

Warranties and indemnities

Each of Electrabel and International Power have given warranties in relation to the business and affairs of the GDF SUEZ Energy International Division and the International Power Group, respectively. Certain significant warranties (such as the warranties regarding title to the shares in the members of the GDF SUEZ Energy International Division) will be repeated immediately before Closing.

In addition, each of Electrabel and International Power have given warranties to the other regarding the information relating to GDF SUEZ Energy International and the International Power Group, respectively, disclosed in this Prospectus and the Circular. These warranties will be (or have been) given as at the date of publication of this Prospectus or posting of the Circular (as relevant). Electrabel has also agreed to indemnify the International Power Group, directors of members of the International Power Group and certain officers and managers of International Power against losses incurred in connection with or arising (directly or indirectly) out of a breach of the warranties provided by Electrabel in relation to this Prospectus and the Circular.

Electrabel has also provided indemnities in respect of the GDF SUEZ Energy International Reorganisation and in respect of certain tax matters relating to the GDF SUEZ Energy International Reorganisation and certain other liabilities in respect of taxation. One of the entities in the GDF SUEZ Energy International Division owns certain tax assets which arose before Closing. In certain limited circumstances, if a member of the Enlarged International Power Group utilises these assets and realises a saving of tax, then it will be required to make a payment to Electrabel equivalent to the amount of the saving.

Claims under most of the warranties are subject to significant financial limits including a requirement that any individual claim must be greater than £15 million and a requirement that the relevant party will not be liable for any warranty claim unless the aggregate of all warranty claims by the relevant party exceeds £375 million. Claims under the indemnities in respect of the GDF SUEZ Energy International Reorganisation are subject to a requirement that Electrabel will not be liable for any indemnity claim unless the aggregate of all such indemnity claims exceeds £15 million. Different thresholds and limits apply in respect of the tax warranties and the tax indemnities (including the indemnity in respect of certain tax matters relating to the GDF SUEZ Energy International Reorganisation).

There is a cap of £3 billion on the aggregate liability of GDF SUEZ and Electrabel under the Merger Deed and a cap of £1.5 billion on the aggregate liability of International Power. The cap does not, however, apply to certain fundamental warranties, such as the warranties regarding title to the shares in the members of the GDF SUEZ Energy International Division.

The warranties and indemnities provided by International Power and Electrabel respectively under the Merger Deed are also subject to certain other customary limitations.

Financial covenant

The Merger Deed includes a warranty and covenant that no dividends, payments or other benefits have been or will be made, paid or provided by members of the GDF SUEZ Energy International Division to members of the GDF SUEZ Group (other than members of the GDF SUEZ Energy International Division) after 30 June 2010 (being the date of the combined interim accounts of GDF SUEZ Energy International for the six-month period ended on 30 June 2010) and a covenant by Electrabel to pay International Power an amount equal to any such dividends, payments or other benefits made, paid or provided up to (and including) Closing. The parties have agreed a limited number of exceptions to this covenant, for example, to permit Electrabel to complete the GDF SUEZ Energy International Reorganisation.

Conduct of business

The Merger Deed includes restrictions regarding the conduct of the business of the GDF SUEZ Energy International Division and the business of the International Power Group pending Closing, including a requirement to carry on business, in all material respects, in the ordinary course and consistent with past practice. The Merger Deed also imposes restrictions on the GDF SUEZ Energy International Division and the International Power Group taking certain actions, without the consent of the other party.

Recommendation

The International Power Directors have resolved to unanimously and unqualifiedly recommend the Transaction to Shareholders. The Merger Deed would also have permitted GDF SUEZ and Electrabel to terminate the Merger Deed and the Transaction and, except in the circumstances referred to below in the paragraph entitled "*Break fee*", would have given Electrabel the right to receive a break fee of €60 million had the International Power Directors withdrawn or adversely modified, suspended or qualified their recommendation of the Transaction as set out in the Circular before the Resolutions were passed at the General Meeting. On 16 December 2010, the Resolutions were approved by the requisite number of Shareholders at the General Meeting and without any such withdrawal, modification, suspension or qualification by the International Power Directors of their recommendation of the Transaction. These termination events are therefore no longer applicable.

Further details of the break fee arrangements are set out below.

Non-solicitation covenants and deal protection provisions

International Power has undertaken, amongst other things, not to solicit, initiate, encourage, negotiate, discuss or entertain any approach from any third party with a view to a Competing Proposal being made. However, International Power may respond to an unsolicited Competing Proposal to the extent that the International Power Directors conclude, having taken appropriate legal and financial advice, that not to do so would, or would reasonably be likely to be, inconsistent with their duties as directors. International Power must, however, notify Electrabel if any approach is made to International Power with respect to a Competing Proposal.

International Power is also subject to certain restrictions on the information it may provide to a third party in connection with a potential Competing Proposal.

No further inducement fees

International Power has undertaken not to offer or commit to pay any work fee, inducement fee, break fee or other arrangement having a similar effect (including any arrangement giving costs coverage) to any person other than Electrabel.

Matching rights

If a Competing Proposal is made in respect of International Power and the International Power Directors determine that the Competing Proposal offers superior value to Shareholders when compared to the Transaction, or a Competing Proposal is to be put to a meeting of the International Power Directors with a view to the directors recommending it to Shareholders, Electrabel has a right to match or better the Competing Proposal within four business days of being notified of the Competing Proposal. If Electrabel exercises its matching rights under the Merger Deed by confirming to the International Power Directors that it will make an offer or proposal that provides equal or superior value to Shareholders in comparison to the Competing Proposal (taking into account all financial and other aspects of the offer or proposal) and announcing its improved offer or proposal within four business days of being notified of the Competing Proposal, the International Power Directors must recommend Electrabel's improved offer or proposal and must not recommend the Competing Proposal.

Break fee

International Power has agreed to pay Electrabel a break fee of €60 million (inclusive of any applicable value added tax or its equivalent) if:

- a Competing Proposal is announced prior to Closing and the Competing Proposal referred to in the announcement (or any other Competing Proposal announced within six months of the announcement of the first Competing Proposal) becomes or is declared unconditional in all respects or is completed; or
- International Power is in material breach of its obligations to implement the Transaction or the non-solicitation covenants and deal protection provisions of the Merger Deed and does not remedy the breach within five Business Days.

The €60 million break fee would also have been payable had the International Power Directors withdrawn, adversely modified, suspended or qualified their recommendation of the Transaction or withdrawn the proposal to implement the Transaction or had the General Meeting been deferred or adjourned, in either case, as a result of any action or inaction of the International Power Directors (save where the International Power Directors had withdrawn, adversely modified, suspended or qualified their recommendation of the Transaction after a Competing Proposal (which was superior in value to the Transaction) had been made and Electrabel had not exercised its rights to match or better the Competing Proposal). On 16 December 2010, the Resolutions were approved by the requisite number of Shareholders at the General Meeting and without any such withdrawal, modification, suspension or qualification by the International Power Directors of their recommendation of the Transaction or withdrawal of the proposal to implement the Transaction or deferral or adjournment of the General Meeting. This provision of the Merger Deed is therefore no longer applicable.

The €60 million break fee is not payable if:

- either Electrabel or International Power exercises a right to terminate the Merger Deed upon a material adverse event in respect of the other party's group (for further details regarding this termination right see above); or
- Closing of the Transaction occurs.

Further, the €60 million break fee is not payable if the Merger Deed terminates in accordance with its terms prior to the event that would otherwise trigger the obligation to pay the break fee.

GDF SUEZ guarantee

GDF SUEZ guarantees to International Power the performance by Electrabel of its obligations (including the warranties and indemnities given by Electrabel) under the Merger Deed.

(b) ***Relationship Agreement***

On Admission, members of the Wider GDF SUEZ Group will hold approximately 70 per cent. of Enlarged International Power's issued share capital. To enable Enlarged International Power to operate as an independent listed company, Electrabel, GDF SUEZ and International Power have entered into the Relationship Agreement, which records the terms of the proposed relationship between the Wider GDF SUEZ Group and the Enlarged International Power Group and the governance of Enlarged International Power.

The Relationship Agreement prescribes the structure of the Enlarged International Power Board and provides certain appointment rights to Electrabel. The Relationship Agreement also imposes certain restrictions on the Wider GDF SUEZ Group's ability to deal in Ordinary Shares. In particular, for a period of 18 months following Admission, members of the Wider GDF SUEZ Group and their actual concert parties are generally restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all (or any) of the outstanding Ordinary Shares, or from de-listing Enlarged International Power after such a takeover offer has become wholly unconditional or, in the case of a scheme, after it has become effective. Following the expiry of this period (or earlier with the consent of all of the Independent Non-Executive Directors), members of the Wider GDF SUEZ Group and their actual concert parties would not be restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all of the outstanding Ordinary Shares or from de-listing Enlarged International Power following any such offer.

GDF SUEZ and International Power have agreed under the Relationship Agreement that:

- subject to certain exceptions, the Enlarged International Power Group will have exclusive responsibility over and activity in power generation activities in all markets except Continental Europe, thereby giving the Enlarged International Power Group access to the fast growing markets of Latin America, Middle East and Asia Pacific, as well as Australia, the USA and UK for power generation, and exclusive responsibility over and activity in downstream LNG activities in Chile and the USA;

- subject to the activity of International Power's existing assets in Continental Europe, the Wider GDF SUEZ Group will have exclusive responsibility over and activity in all businesses in Continental Europe, including Russia (but excluding Turkey); and
- the Wider GDF SUEZ Group will have exclusive responsibility over and activity in nuclear power generation and certain defined energy services in all markets.

Independence and related party transactions

The Relationship Agreement provides that Electrabel and each member of the Wider GDF SUEZ Group shall not take any action which precludes or inhibits any member of the Enlarged International Power Group from carrying on its business independently of Electrabel and the Wider GDF SUEZ Group in a manner inconsistent with the Listing Rules. All transactions and relationships entered into between any member of the Enlarged International Power Group and any member of the Wider GDF SUEZ Group are required to be entered into or conducted on arm's length terms. The Relationship Agreement does not, however, prevent Electrabel from accepting a takeover offer or, subject to the restrictions referred to below, making a takeover offer and de-listing Enlarged International Power after such a takeover.

Any related party transaction between any member of the Enlarged International Power Group and any member of the Wider GDF SUEZ Group as the related party are to be approved by a simple majority of the Enlarged International Power Board, including at least three Independent Non-Executive Directors and otherwise in accordance with applicable law. Members of the Wider GDF SUEZ Group are required to abstain from voting on any resolution of Shareholders to approve such a related party transaction. There are no restrictions on how members of the Wider GDF SUEZ Group who hold Ordinary Shares may vote in general meetings of International Power on resolutions in relation to which they are entitled to vote.

Anti-dilution, standstill and disposals

Except as described below, members of the Wider GDF SUEZ Group and their actual concert parties are not permitted to acquire any Ordinary Shares at any time following Admission without the approval of the Enlarged International Power Board acting by simple majority (excluding the votes of the GDF SUEZ Appointed Directors and the Executive Directors). However, members of the Wider GDF SUEZ Group and their actual concert parties are permitted to make market purchases of Ordinary Shares so as to maintain the Wider GDF SUEZ Group's aggregate shareholding in Enlarged International Power at a level up to 70 per cent. of the issued ordinary share capital of Enlarged International Power from time to time.

In the event that Enlarged International Power undertakes a share buy-back, Electrabel is required either to procure that the Wider GDF SUEZ Group sells a pro-rata proportion of its shareholding pursuant to the share buy-back or, to the extent that the Wider GDF SUEZ Group's shareholding in Enlarged International Power exceeds 70 per cent. following the conclusion of such share buy-back, to procure that the Wider GDF SUEZ Group disposes of such number of Ordinary Shares such that the aggregate shareholding of the Wider GDF SUEZ Group falls to 70 per cent. or less of the issued ordinary share capital of Enlarged International Power at such time.

For a period of 18 months following Admission, members of the Wider GDF SUEZ Group and their actual concert parties are generally restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all (or any) of the outstanding Ordinary Shares, or from de-listing Enlarged International Power after such a takeover offer has become wholly unconditional or, in the case of a scheme, after it has become effective. Following the expiry of this period (or earlier with the consent of all of the Independent Non-Executive Directors), members of the Wider GDF SUEZ Group and their actual concert parties would not be restricted from making a takeover offer (by way of a general offer or by way of a scheme of arrangement) for all of the outstanding Ordinary Shares or from de-listing Enlarged International Power following any such offer.

If, following Admission, Electrabel or any member of the Wider GDF SUEZ Group proposes to dispose of its interest in any Ordinary Shares, Electrabel must consult with the Enlarged International Power Board such that any disposal is conducted so as to minimise any disruption to the share price of the Ordinary Shares.

Composition of Enlarged International Power Board and quorum

For the duration of the Relationship Agreement the Enlarged International Power Board shall have 13 members comprising three executive directors (the "**Executive Directors**"), a non-executive chairman appointed by the Wider GDF SUEZ Group, six independent non-executive directors (the "**Independent Non-Executive Directors**") and three additional non-executive directors appointed by the Wider GDF SUEZ Group (together with the chairman, the "**GDF SUEZ Appointed Directors**").

The quorum for meetings of the Enlarged International Power Board shall comprise any four Enlarged International Power Directors, of which at least two shall be Independent Non-Executive Directors and at least two shall be GDF SUEZ Appointed Directors. In accordance with International Power's articles of association, the chairman will be entitled to a second or casting vote in the event of an equality of votes on a particular matter.

Details of the proposed composition of the Enlarged International Power Board at Admission are set out in the section entitled "*Board and Management Team*" of Part 1 (*Information on the Combination*).

Appointment and removal of Enlarged International Power Directors

The Wider GDF SUEZ Group will be entitled to appoint the non-executive chairman of Enlarged International Power and appoint three additional non-executive directors. The Wider GDF SUEZ Group will be entitled to remove and replace these GDF SUEZ Appointed Directors.

Independent Non-Executive Directors may be appointed by the Enlarged International Power Board approving by a simple majority a candidate nominated by the International Power Appointments Committee. Only candidates who satisfy the independence criteria of the Combined Code or who the Enlarged International Power Board determines by simple majority to be sufficiently independent shall be eligible for appointment as Independent Non-Executive Directors. Independent Non-Executive Directors may be removed by a unanimous decision of the Enlarged International Power Board.

Executive Directors may be appointed by the Enlarged International Power Board approving by a simple majority (excluding the votes of Executive Directors) a candidate nominated by the International Power Appointments Committee. The Wider GDF SUEZ Group will have the ability to veto any candidate proposed to be nominated by the International Power Appointments Committee. If the Wider GDF SUEZ Group exercises its veto right at least twice in respect of candidates proposed to be appointed to the same position, the Wider GDF SUEZ Group will be permitted to nominate a candidate directly to the Enlarged International Power Board. Executive Directors may be removed by a simple majority decision of the Enlarged International Power Board (excluding the votes of Executive Directors and including the votes of at least two GDF SUEZ Appointed Directors).

In addition to the ability of the Enlarged International Power Board to appoint and remove Enlarged International Power Directors in the manner described above, Shareholders may by ordinary resolution appoint or remove any of the Enlarged International Power Directors.

Board committees

For the duration of the Relationship Agreement:

- the International Power Appointments Committee shall comprise five Enlarged International Power Directors comprising two GDF SUEZ Appointed Directors and three Independent Non-Executive Directors (with the chairman of the committee being an Independent Non-Executive Director);

- the International Power Audit Committee shall comprise four Enlarged International Power Directors comprising three Independent Non-Executive Directors and one GDF SUEZ Appointed Director (with the chairman of the committee being an Independent Non-Executive Director);
- the International Power Remuneration Committee shall comprise five Enlarged International Power Directors comprising three Independent Non-Executive Directors and two GDF SUEZ Appointed Directors (with the chairman of the committee being an Independent Non-Executive Director); and
- the International Power Health, Safety and Environment Committee shall comprise three Enlarged International Power Directors comprising one Independent Non-Executive Director, one GDF SUEZ Appointed Director and one Enlarged International Power Director selected by the Enlarged International Power Board (with the chairman of the committee being an Independent Non-Executive Director).

Reserved matters

For the duration of the Relationship Agreement, each of the following matters will require the approval of a simple majority of the Enlarged International Power Board, including the approval of at least two of the GDF SUEZ Appointed Directors:

- the approval of all annual budgets and business plans of the Enlarged International Power Group;
- save for any matters undertaken in compliance with the MOU or the Merger Deed and committed to on or prior to the date of Admission, the approval of any strategic transaction or the incurring by any member of the Enlarged International Power Group of any item of capital expenditure, in each case, for a value of over €50 million (exclusive of VAT);
- save for any matters undertaken in compliance with the MOU or the Merger Deed and committed to on or prior to the date of Admission, any member of the Enlarged International Power Group entering into any loan or advance of over €50 million or entering into any financing transaction involving over €50 million, other than the making of a loan or advance to, or the entry into of a transaction with, another member of the Enlarged International Power Group in the ordinary course of business and at arm's length; and
- any issue of shares by Enlarged International Power, other than pursuant to (i) its annual disapplication of pre-emption rights in accordance with Section 570 of the Act; or (ii) certain management and employee share schemes that have previously been approved by the International Power Board.

Name and logo

For the duration of the Relationship Agreement, International Power shall be known as ''International Power plc, a member of the GDF SUEZ Group'' with typeface and logo designed accordingly.

Termination

The Relationship Agreement will continue in force until terminated upon the earlier to occur of (i) GDF SUEZ ceasing to hold a direct or indirect interest in the voting shares of Enlarged International Power of at least 50 per cent.; (ii) the Ordinary Shares ceasing to be listed on the Official List and traded on the London Stock Exchange's Main Market; or (iii) the making of a winding-up order by the courts or the passing of a resolution by the Shareholders that Enlarged International Power be wound up.

(c) ***Electrabel Services Agreement***

Under the Electrabel Services Agreement, certain services will be provided, on an exclusive basis, by members of the Wider GDF SUEZ Group to the Enlarged International Power Group. These services will consist of professional support services in the following areas: strategy, communication, HR, finance, audit and risk, purchasing, research and innovation, health, safety and management systems, information systems, legal and ethics, and corporate support.

The services will be provided for an initial term of 5 years from Admission. Following the end of the initial term, the term shall be automatically renewed for one-year periods, except in the case of either party giving one year's notice to terminate the agreement. The services will be charged at a rate of €30 million in respect of the 12 month period from Admission and at a rate of €27 million (indexed annually in accordance with the consumer price index published by the Belgian Directorate General for Statistics and Economic Information) in respect of each subsequent 12 month period of the term.

Electrabel has an obligation to provide the services with at least the same degree of care, accuracy, quality and responsiveness used in performing the same or similar services to itself or members of the Wider GDF SUEZ Group, and, in respect of the services provided to that part of the Enlarged International Power Group which formerly comprised GDF SUEZ Energy International, to a standard that is at least as high as was achieved in respect of the equivalent services in the 12-month period prior to Admission.

Neither International Power nor Electrabel is liable to the other under the Electrabel Services Agreement in respect of loss of profit, loss of revenue or indirect or consequential loss. In addition, the liability of Electrabel under the Electrabel Services Agreement in each year is limited to the aggregate amount of charges payable or expected to be payable under the Electrabel Services Agreement in respect of that year.

International Power or Electrabel may terminate the Electrabel Services Agreement if the other party suffers an insolvency event or is in material breach of the terms of the agreement. International Power may also terminate the Electrabel Services Agreement if the Wider GDF SUEZ Group ceases to have an interest in 50 per cent. or more of the Ordinary Shares.

(d) ***International Power Services Agreement***

Under the International Power Services Agreement, certain, more limited, services will be provided by members of the Enlarged International Power Group to the Wider GDF SUEZ Group. These services will consist of professional support services in the following areas: strategy, legal and ethics, operations and business development oversight.

The services will be provided for an initial term of 5 years from Admission. Following the end of the initial term, the term shall be automatically renewed for one year periods, except in the case of either party giving one year's notice to terminate the agreement. The charge for the services in respect of the first and second years of the service term will be agreed between the parties as part of the integration planning process on an arm's length basis recognising the costs to International Power of providing the services. The charges for the second year of the service term will be indexed annually in accordance with the consumer price index for the UK published by the UK Office for National Statistics in respect of each subsequent year of the service term.

Neither International Power nor Electrabel is liable to the other under the International Power Services Agreement in respect of loss of profit, loss of revenue or indirect or consequential loss. In addition, the liability of International Power under the International Power Services Agreement in each year is limited to the aggregate amount of charges payable or expected to be payable under the International Power Services Agreement in respect of that year.

International Power or Electrabel may terminate the International Power Services Agreement if the other party suffers an insolvency event or is in material breach of the terms of the agreement. International Power may also terminate the International Power Services Agreement if the Wider GDF SUEZ Group ceases to have an interest in 50 per cent. or more of the Ordinary Shares. The International Power Services Agreement will terminate automatically upon termination of the Electrabel Services Agreement.

(e) ***Expatriates Services Agreement***

Under the Expatriates Services Agreement, members of the Wider GDF SUEZ Group will provide expatriate management services to International Power. The key terms of the Expatriates Services Agreement are similar to those of the Services Agreement, and differ only in respect of the charges for the Services, the nature of the services to be provided and the inclusion of an indemnity from Electrabel to International Power in respect of

Electrabel failing to pay or make available, as part of the services, to an expatriate (on time and in accordance with the expatriate's terms of employment) any salary or other related benefit to which the expatriate is entitled.

The services will be provided for an initial term of 5 years from Admission. Following the end of the initial term, the term shall be automatically renewed for one-year periods, except in the case of either party giving one year's notice to terminate the agreement. The services will be charged at a rate of actual cost plus 5 per cent.

Electrabel has an obligation to provide the services with at least the same degree of care, accuracy, quality and responsiveness used in performing the same or similar services to itself or members of the Wider GDF SUEZ Group, and, in respect of the services provided to that part of the Enlarged International Power Group which formerly comprised GDF SUEZ Energy International, to a standard that is at least as high as was achieved in respect of the equivalent services in the 12-month period prior to Admission.

Neither International Power nor Electrabel is liable to the other under the Expatriates Services Agreement in respect of loss of profit, loss of revenue or indirect or consequential loss. In addition, the liability of Electrabel under the Expatriates Services Agreement each year is limited to the aggregate amount of charges payable or expected to be payable under the Expatriates Services Agreement in respect of that year.

International Power or Electrabel may terminate the Expatriates Services Agreement if the other party suffers an insolvency event or is in material breach of the terms of the agreement. International Power may also terminate if the Wider GDF SUEZ Group ceases to have an interest in 50 per cent. or more of the Ordinary Shares.

(f) ***Financing Framework Agreement***

The Financing Framework Agreement sets out the principal terms and conditions of the financing arrangements that are to be put in place between Electrabel, GDF SUEZ and the Enlarged International Power Group. (other than publicly listed subsidiaries) Under the Financing Framework Agreement, Electrabel will commit to provide (or to procure that other members of the GDF SUEZ Group will provide) financing to the Enlarged International Power Group, with an undertaking provided by GDF SUEZ that it will procure that Electrabel complies with its obligations thereunder and that if Electrabel fails to pay or deliver or procure the payment or delivery of such commitments thereunder, GDF SUEZ will itself make payment or delivery of such commitments.

The financing to be provided pursuant to the Financing Framework Agreement will consist of loans that will meet Enlarged International Power's annual financing requirements, loans that will replace certain project financing within the Enlarged International Power Group, a guarantee facility that will help to meet the operational requirements of the Enlarged International Power Group and a cash pooling facility that will provide the Enlarged International Power Group with liquidity.

(i) *Loans and guarantees*

The Financing Framework Agreement divides the loans (the "**Loans**") and guarantees (the "**Guarantees**") to be granted thereunder into four tranches (the "**Tranches**") as follows:

(A) Tranche A

Amount

A maximum annual amount equal to the aggregate financing needs of the Enlarged International Power Group as set out in the annual budget of Enlarged International Power for each financial year of Enlarged International Power and approved by the Enlarged International Power Board. The first annual budget for this purpose shall be the 2011 annual budget as approved by the Enlarged International Power Board following Closing.

Purpose

General corporate purposes (including acquisitions) and the extension of credit support to Enlarged International Power's project finance subsidiaries.

Availability

From Closing until 31 December 2013 (the "**Initial Commitment Period**"), extended automatically by one year and each year thereafter (an "**Additional Commitment Period**") unless Electrabel, in its sole discretion, gives fifteen months notice prior to the expiry of the Initial Commitment Period or the relevant Additional Commitment Period that no such extension shall take place.

(B) Tranche B

Amount

£955,000,000

Purpose

The financing of the early redemption or reimbursement, on or shortly after Closing, of certain project finance indebtedness and subordinated indebtedness of the Enlarged International Power Group as specified in the Financing Framework Agreement.

Availability

For a period of six months commencing on Closing.

(C) Tranche C

Amount

£1,197,000,000

Purpose

The financing of the redemption or reimbursement, on or shortly prior to its maturity, of certain project finance indebtedness of the Enlarged International Power Group as specified in the Financing Framework Agreement.

Availability

For a period commencing on or shortly prior to the earliest maturity date of the indebtedness to be repaid under Tranche C and ending on the latest maturity date of such indebtedness.

(D) Tranche D

Amount

£550,000,000, by way of Guarantees to be issued by Electrabel, directly or indirectly through any other member of the Wider GDF SUEZ Group (the "**Guarantor**") provided that, if Enlarged International Power informs Electrabel that the beneficiary of such proposed Guarantee requires that the Guarantor be an entity with a certain minimum credit rating as a condition to entering into the transaction in respect of which the Guarantee is to be granted, Electrabel shall use its reasonable efforts to procure that the Guarantor is an entity so rated by Standard & Poor's, Moody's or Fitch Ratings.

Indemnity

The Guarantees under Tranche D are to be made available to the Enlarged International Power Group, other than any publicly listed subsidiaries (each an "**Account Party**"), provided the relevant Account Party shall enter into an indemnity agreement with the relevant Guarantor.

Availability

From Closing for each Initial Commitment Period and each Additional Commitment Period thereafter unless Electrabel, in its sole discretion, gives fifteen months notice prior to the expiry of the Initial Commitment Period or the relevant Additional Commitment Period that no extension shall take place.

Any request for a Loan shall be delivered to Electrabel at least forty-five days prior to the date on which the funds are to be made available on the basis that, if the amount to be financed and the date on which funds are to be made available cannot be specified at that stage, Enlarged International Power shall provide its best estimate of such amount and indicate the earliest date on which the funds are to be required, with the exact amount (which shall not significantly exceed the estimated amount) to be specified at least seven days prior to the final date on which the funds must be made available.

Any request for a Guarantee shall be delivered to Electrabel at least fifteen days prior to the date on which the Guarantee is to be delivered, on the basis that Electrabel shall make reasonable efforts to deliver the Guarantee prior to such date if Enlarged International Power informs Electrabel that the Guarantee is urgently required in the context of the transaction in question.

Loans made under Tranches A, B and C shall bear interest at the applicable reference rate (being EURIBOR for any Loan in euros or any other applicable interbank rate in the case of Loans in any other currency) plus an applicable margin. The applicable margin shall be determined on a case by case basis between the lending entity and the borrowing entity, and shall be no higher than the market rate applicable for a comparable Loan based on Enlarged International Power's credit rating on the understanding that, if Enlarged International Power's credit rating falls below BBB (Standard and Poor's) or Baa3 (Moody's) the margin will be determined as if Enlarged International Power's credit rating was equal to BBB (Standard and Poor's) or Baa3 (Moody's).

Fees shall be payable by the Account Party in respect of any Guarantee, in an amount to be agreed on a case by case basis between the Account Party and the relevant Guarantor.

Each Loan and Guarantee request shall be processed in accordance with the GDF SUEZ Group financing or guaranteeing policy through the relevant GDF SUEZ corporate financing department, and that department shall establish the most appropriate means of structuring the resulting Loan or Guarantee by determining whether such Loan or Guarantee should be procured externally or within the GDF SUEZ Group. This shall be without prejudice to the committed nature of the financing.

GDF SUEZ CC (a limited liability cooperative company incorporated in Belgium) ("**GDF SUEZ CC**") is, within the GDF SUEZ group, a company commonly used for the granting of intragroup loans to GDF SUEZ affiliates.

Enlarged International Power wishes to have the flexibility to take advantage of this GDF SUEZ financing company so that members of the Enlarged International Power Group may ask GDF SUEZ CC to lend amounts within the Enlarged International Power Group (including any amounts received under a Financing Framework Agreement loan).

To that end, a member of the Enlarged International Power Group will hold shares in GDF SUEZ CC, either directly or through Compagnie Européenne de Financement S.A. (a company incorporated in Luxembourg) ("**CEF**").

In light of the fact that following Closing members of the Wider GDF SUEZ Group will be related parties of Enlarged International Power and the desire of the Enlarged International Power Group to be able to utilise GDF SUEZ CC and/or CEF for the future financing needs of the Enlarged International Power Group, the Financing Framework Agreement sets out the following agreed basis upon which GDF SUEZ CC or CEF may be used to effect lending within the Enlarged International Power Group:

- A member of the Enlarged International Power Group will (i) subscribe for B shares in CEF or GDF SUEZ CC and/or (ii) grant a loan to, or procure that a loan is granted to, CEF or GDF SUEZ CC equal to, in aggregate, the full amount to be received by the ultimate beneficiary of such intercompany lending (the "**Relevant Amount**"); and
- International Power will procure that the ultimate beneficiary of the intercompany lending enters into a loan agreement (as borrower) with GDF SUEZ CC or CEF (as lender) for the Relevant Amount (less any transaction costs arising as a consequence of the use of GDF SUEZ CC or CEF).

Certain GDF SUEZ guarantees are currently in place in respect of the assets that will be transferred to the Enlarged International Power Group as part of the Transaction. The terms of the Financing Framework Agreement provide that GDF SUEZ will maintain such guarantees for a period of eighteen calendar months following Closing (the "**Relevant Period**"). The Financing Framework Agreement also provides that, during the Relevant Period, in the event that certain existing guarantees provided by members of the Enlarged International Power Group which, prior to Closing, were members of the GDF SUEZ Group no longer meet their requirements as a direct consequence of the Transaction, Electrabel or another member of the GDF SUEZ Group shall enter into negotiations with the relevant beneficiary for the replacement of such guarantee. The Relevant Period shall be extended automatically by one year and each year thereafter unless Electrabel provides International Power with fifteen months notice that no such extension shall take place.

(ii) *Cash pooling*

Pursuant to the Financing Framework Agreement, those members of the Enlarged International Power Group with average annual net negative or positive balances of at least £5,000,000 (each a "**Participant Company**" and together the "**Participant Companies**") shall enter into cash pooling arrangements with Electrabel or another financial vehicle or entity of the Wider GDF SUEZ Group (the "**Centralising Entity**"), pursuant to which they will agree to contribute all of their cash to the cash pool, in excess of a minimum balance which may be agreed on a case by case basis.

The cash pooling arrangements will provide short term liquidity to the Participant Companies up to an amount of £250,000,000 for short term working capital requirements ("**Tranche 1**") and up to £150,000,000 for margin calls related to trading activities ("**Tranche 2**").

The Participant Companies will open one or more current accounts in the books of the relevant Centralising Entity through which the cash pool will take effect. Interest shall be payable by the Participant Company to the Centralising Entity in respect of any negative balance (the "**Debit Margin**") and from the Centralising Entity to the Participant Company in respect of any positive balance (the "**Credit Margin**"), calculated by reference to the EONIA rate for EUR, SONIA rate for GBP or other applicable rate depending on currency, and the applicable margin. The Debit Margin shall be determined (i) for Tranche 1, in accordance with the standard cash pooling terms within the Wider GDF SUEZ Group, and (ii) for Tranche 2, on annual basis between Enlarged International Power and Electrabel, to be no higher than the market rate applicable to similar facilities based on Enlarged International Power's credit rating on the understanding that, if Enlarged International Power's credit rating falls below BBB (Standard and Poor's) or Baa3 (Moody's) the margin will be determined as if Enlarged International Power's credit rating was equal to BBB (Standard and Poor's) or Baa3 (Moody's). The Credit Margin shall be determined in accordance with the standard cash pooling terms within the wider GDF SUEZ Group.

The cash pooling arrangements shall continue until 31 December 2013 (the "**Initial Cash Pooling Period**") and extended automatically by one year and each year thereafter (an "**Additional Cash Pooling Period**") unless otherwise notified by a party thereunder to the other party 15 months prior to the expiry of the Initial Cash Pooling Period or the Additional Cash Pooling Period that no such extension shall take place.

(iii) *General provisions*

The Financing Framework Agreement contains a guarantee to be given by Enlarged International Power in respect of the obligations of its subsidiaries under the Financing Framework Agreement and the documents to be entered into pursuant to the Financing Framework Agreement (the "**Finance Documents**").

The Financing Framework Agreement contains undertakings, representations, warranties and events of default that are customary for investment grade borrowers. Certain events of default do not apply to those members of the Enlarged International Power Group that are project financed.

A clean-up period of one hundred and eighty days is included during which Enlarged International Power will have the opportunity to rectify any problems in the assets it has acquired as a result of the Transaction that might otherwise cause an event of default under the Financing Framework Agreement subject to customary exceptions.

The Financing Framework Agreement shall terminate on the date on which all of the commitment periods relating to the Loans and Guarantees have expired without renewal, the obligations of the members of the Enlarged International Power Group under the Finance Documents have been discharged and the obligations, commitments or undertakings of Electrabel, GDF SUEZ and each lender, guarantor and Centralising Entity under the Finance Documents have expired or have been fully cancelled and terminated in accordance with their terms.

(g) ***3.75 per cent. Convertible US Dollar Bonds due 2023***

On 22 August 2003, International Power (Jersey) Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued US$252.5 million 3.75 per cent. Convertible Bonds due 2023. The bonds are unconditionally guaranteed by International Power.

The bonds are convertible into Ordinary Shares of International Power at anytime up to 12 August 2023. The conversion price is currently 147 pence. Each US$1,000 principal amount of bonds will entitle the holder to convert into US$1,000 paid-up value of preference shares of International Power (Jersey) Limited which are then immediately exchangeable for the appropriate number of Ordinary Shares. The bonds may be redeemed at the option of bondholders at their principal amount, together with accrued interest, on 22 August 2013, 22 August 2018 or following the occurrence of a "Relevant Event" as specified in the terms and conditions of the convertible bonds.

If the conversion option is not exercised, the bonds will be redeemed on 22 August 2023 at a redemption price equivalent to their principal amount (together with accrued interest).

(h) ***3.25 per cent. Convertible Euro Bonds due 2013***

On 20 July 2006, International Power Finance (Jersey) II Limited, a wholly-owned subsidiary of International Power incorporated in Jersey, issued €230 million 3.25 per cent. Convertible Bonds due 2013. The bonds are unconditionally guaranteed by International Power.

The bonds are convertible into Ordinary Shares of International Power at anytime up to 10 July 2013. The conversion price is currently 338 pence. Each €50,000 principal amount of bonds will entitle the holder to convert into €50,000 paid-up value of preference shares of International Power Finance (Jersey) II Limited, which are then immediately exchangeable for the appropriate number of Ordinary Shares. The bonds may be redeemed at the option of bondholders at their principal amount, together with accrued interest, following the occurrence of a "Relevant Event" as specified in the terms and conditions of the convertible bonds.

If the conversion option is not exercised, the bonds will be redeemed on 20 July 2013 at a redemption price equivalent to their principal amount (together with accrued interest).

(i) ***4.75 per cent. Convertible Euro Bonds due 2015***

On 5 June 2008, International Power Finance (Jersey) III Limited, a wholly-owned subsidiary of International Power incorporated in Jersey, issued €700 million 4.75 per cent. Convertible Bonds due 2015. The bonds are unconditionally guaranteed by International Power.

The bonds are convertible into Ordinary Shares of International Power at anytime up to 26 May 2015. The conversion price is currently 339 pence. Each €50,000 principal amount of bonds will entitle the holder to convert into €50,000 paid-up value of preference shares of International Power Finance (Jersey) III Limited, which are then immediately exchangeable for the appropriate number of Ordinary Shares. The bonds may be redeemed at the option of bondholders at their principal amount, together with accrued interest, following the occurrence of a "Relevant Event" as specified in the terms and conditions of the convertible bonds.

If the conversion option is not exercised, the bonds will be redeemed on 5 June 2015 at a redemption price equivalent to their principal amount (together with accrued interest).

(j) ***7.25 per cent. Senior Unsecured Notes due 2017***

On 11 May 2010, International Power Finance (2010) plc, a direct, wholly-owned subsidiary of International Power, issued €250,000,000 7.25 per cent. senior notes due 2017 (the "**Notes**"). The Notes are irrevocably and unconditionally guaranteed by International Power. Unless previously redeemed or cancelled, the Notes shall be redeemed on 11 May 2017 at their principal amount (together with accrued interest).

At any time, upon not less than 30 nor more than 60 days' notice to the holders of the Notes, International Power Finance (2010) plc may redeem all or part of the Notes, at a redemption price equal to 100 per cent. of the principal amount thereof plus the redemption premium specified in the terms and conditions of the Notes, together with accrued and unpaid interest to the redemption date.

International Power Finance (2010) plc or International Power must also make an offer to repurchase the Notes, at a purchase price equal to 101 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, if a "Change of Control" occurs (as specified in the terms and conditions of the Notes). Events constituting a "Change of Control" include, among other things, the consummation of any transaction (such as the Combination) the result of which is that any person or group is or as a result of such transaction becomes, the beneficial owner, directly or indirectly, of a majority of the total voting power of the voting stock of International Power. International Power intends that it or International Power Finance (2010) plc will make an offer to repurchase the Notes following Closing, in accordance with the conditions of Notes.

(k) ***The Revolving Credit Facility***

The Company has available a US$780 million revolving credit facility (the "**Revolving Credit Facility**") with a syndicate of bank lenders (the "**RCF Lenders**") led by The Royal Bank of Scotland plc (the "**RCF Agent Bank**"), pursuant to the terms of a credit agreement dated 14 July 2009 (the "**Credit Agreement**"). The Revolving Credit Facility may be used for general corporate purposes and is available until 31 October 2012.

Interest and fees

The rate of interest under the Revolving Credit Facility is calculated as the aggregate of the margin; the reference rate, and mandatory costs. The margin may change during the lifetime of the Credit Agreement as a result of changes in the credit rating of International Power as set out in the table below:

Senior credit ratings (S&P/Moody's/Fitch)	*Applicable margin per annum*
Level 1 BBB-/Baa3/BBB- and above	3.25%
Level 2 BB+/Ba1/BB+	3.50%
Level 3 BB/Ba2/BB	3.75%
Level 4 BB-/Ba3/BB-	4.25%
Level 5 B+/B1/B+	5.00%
Level 6 B/B2/B, or below or no rating	6.00%

If the combination of International Power's ratings does not fall within any levels as set out in the table above then the applicable margin will be determined in accordance with (i) where there are three different ratings, the middle rating of the three ratings or (ii) where there are three ratings, and two of which concur, the concurring rating or (iii) where International Power has notified the RCF Agent Bank that only two ratings are maintained by it, the lower of the two ratings applicable to International Power.

If an event of default occurs, and only for so long as it is continuing, the applicable margin will be the percentage specified in the table above for Level 6 for any particular year and in circumstances where such event of default has been remedied or waived, the applicable margin will revert to the appropriate level in the table above.

International Power is also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility at a rate per annum of 45 per cent. of the applicable margin then in effect.

Security and upstream guarantees

The Revolving Credit Facility is unsecured. None of the subsidiaries of International Power has guaranteed any of the obligations of International Power under the Revolving Credit Facility.

Covenants

The Credit Agreement contains customary operating and negative covenants, subject to certain agreed exceptions. The Credit Agreement further contains customary financial maintenance covenants including a cash flow cover ratio, a net worth covenant (for International Power only), and a ratio of recourse debt to the aggregate of International Power recourse debt and International Power net worth.

Events of default

The Credit Agreement contains customary events of default, including a cross-default with respect to an event of default relating to the Notes and certain other financial indebtedness of the International Power Group, the occurrence of which would allow the RCF Lenders to accelerate all outstanding loans and terminate their commitments and declare that cash cover in respect of letters of credit is immediately due and payable, subject in certain cases to agreed grace periods, thresholds and other qualifications. The cross default provisions and other events of default do not apply to material subsidiaries of International Power which are financed by non-recourse project finance indebtedness.

Ranking and priority

International Power's payment obligations under the Revolving Credit Facility rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

Permitted payments

The Credit Agreement permits, *inter alia*, payments to be made by International Power under the Revolving Credit Facility and does not in any way limit or restrict any payments made by International Power in the ordinary course of business.

Governing law and jurisdiction of courts

The Credit Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(l) ***Agreement in relation to IPM Eagle LLP***

International Power and Mitsui & Co., Ltd ("**Mitsui**"), through their wholly owned subsidiaries International Power (Impala) Limited ("**Impala**") and Mitsui Power Ventures ("**MPV**") respectively hold interests in IPM Eagle LLP (the "**LLP**"). International Power's partnership interest in the LLP is 70 per cent. and Mitsui's partnership interest is 30 per cent.

The relationship between Impala and MPV as members of the LLP is governed by a partnership agreement dated 29 July 2004, as amended and restated on 1 June 2005 (the "**LLP Agreement**"), the principal terms of which are outlined below.

Operation of the LLP

Introduction:

The members and the board of the LLP are required to manage the LLP's business (the "**LLP Business**") in accordance with agreed annual business plans and management plans (together, the "**LLP Plans**") and the terms of the LLP Agreement.

Members:

The board of the LLP has responsibility for the supervision and management of the LLP and the LLP Business. Certain key decisions however, are, reserved for the members.

The members must jointly approve the annual accounts of the LLP and must also unanimously approve various members' reserved matters (to the extent that they are not already provided for in an LLP Plan) including:

- amendments to the LLP Agreement and financing arrangements for the LLP Business;
- material changes in the nature of the LLP Business;
- disposals of substantial assets of the LLP Business; and
- changes to the capital structure of entities within the LLP Business.

All other decisions of the members which are not members' reserved matters are passed by a simple majority, subject to applicable quorum requirements.

LLP board:

The board of the LLP is made up of six directors, four of whom are nominated and removed by Impala and two of whom are nominated and removed by MPV.

The board of the LLP is responsible for managing the LLP Business in accordance with the LLP Plans and ensuring that information about the LLP Business is provided to the members. In addition, to the extent that they are not already provided for in an agreed LLP Plan, which reflects the LLP's ordinary course of business, a resolution passed by directors appointed by members holding in aggregate not less than 75 per cent. of the total equity capital of the LLP is required to approve various reserved matters, including the:

- initiation and conduct of material legal proceedings in relation to the LLP Business;
- approval of executive appointments and the terms and conditions of their employment;
- approval of and material amendment to the LLP Plans;
- entry into any material contracts;
- approval of material borrowings within the LLP Business;
- acquisition of interests in third parties;
- grant of material security over the assets of the LLP Business; and
- entry into contracts with members and their associates.

All other board decisions of the LLP which are not reserved matters are passed by a simple majority. Each director has one vote.

Management:

The day to day management of the LLP is conducted by the executives appointed by the members pursuant to the terms of the LLP Agreement. Impala has the right to nominate the Chief Executive Officer and the Regional Managers in London, Singapore and Melbourne. MPV may nominate the Chief Financial Officer and Deputy Regional Managers in London, Singapore and Melbourne. Mitsui and International Power may also second staff to the LLP Business under agreed arrangements.

Dealing in partnership interests:

The members may transfer their interests in the LLP to third parties with the consent of the other member (such consent not to be unreasonably withheld where the transferee meets certain agreed criteria) and only after following the transfer procedures stated in the LLP Agreement. Under the transfer procedures, if a member wishes to sell any part of its interest in the LLP to a third party, then the other member has the right to exercise a pre-emption right to acquire that interest or require the other member to also sell a portion of its own interest to the third party purchaser.

Parent guarantees and indemnity:

International Power and Mitsui have each guaranteed the respective obligations of Impala and MPV under the LLP Agreement.

Disputes:

The members will attempt to resolve any disputes firstly in good faith between themselves and then by reference to senior executives at International Power and Mitsui. The dispute will be referred to arbitration if it remains unresolved (or to an expert for determination in the case of a technical dispute).

If a member is in default of the LLP Agreement it will be required to remedy the default and compensate the other member for its losses arising out of such default. In certain circumstances, the defaulting member's voting rights may also be suspended during the continuance of a default.

The members have acknowledged that no breach of the LLP Agreement shall be considered so material as to give a member the right to rescind or terminate the LLP Agreement. A member may, however, pursue any claim it may have for losses it has suffered in respect of the default of the other member.

Winding up:

The LLP may be wound up with the consent of the members.

Governing law:

The LLP Agreement is governed by English law.

(m) ***The Karugamo Shareholders' Agreement***

International Power has, through IP Karugamo Holdings Limited ("**IPKHL**"), incorporated IPM (UK) Power Limited ("**IPMUK**") to acquire, hold and operate certain UK generating assets. International Power's interest in IPMUK is 75 per cent. and Mitsui's interest in IPMUK is 25 per cent. There are two classes of shares in IPMUK. Class A shares are held as to 73.7 per cent. by IPKHL, 23.7 per cent, by MPV and 2.6 per cent. by Mitsui & Co. UK plc ("**Mitsui UK**"). Class B shares are held entirely by IPKHL. There are no voting rights attached to the class B shares which in all other respects carry the same rights, and rank the same, as the class A shares. International Power's aggregate interest in IPMUK is 75 per cent., taking into account the fact that its interest in both class A shares and class B shares. The Shareholders' Agreement does not contain any requirement for further capital contributions.

IPKHL, MPV and Mitsui UK have entered into a shareholders agreement dated 20 June 2007 (the "**Shareholders Agreement**") to regulate the management of IPMUK and the business of IPMUK and its subsidiaries and subsidiary undertakings (the "**IPMUK Group**"). Both International Power and Mitsui have guaranteed the obligations of their respective subsidiaries under and in connection with the Shareholders' Agreement. The other principal terms of the Shareholders Agreement are outlined below.

(i) The board of IPMUK has responsibility for the supervision and management of IPMUK and its business and manages the business in accordance with agreed annual business plans, annual project business plans and management plans, the terms of the Shareholders Agreement and the memorandum and articles of association of IPMUK.

(ii) All decisions of the shareholders which are not shareholders' reserved matters are passed by a simple majority. Shareholders' reserved matters need to be passed by each class A shareholder in IPMUK. These are:

(A) amendments to the constitutional documents of any entity in the IPMUK Group or changes to such company's authorised or issued share capital;

(B) amendments, variations, assignments or terminations of certain specified agreements or material ancillary agreements thereto;

(C) material changes in the nature of the business or the business of any entity in the IPMUK Group;

(D) disposals of substantial assets of the business or the business of any entity in the IPMUK Group;

(E) changes to the capital structure of entities of the IPMUK Group;

(F) restructuring, or a conversion of the legal status, of any entity in the IPMUK Group or the dissolution or change in the composition or material terms of any joint venture or partnership where this is an entity in the IPMUK Group;

(G) winding up or similar arrangements in respect of an entity in the IPMUK Group; and

(H) changes in dividend or distribution policy of an entity in the IPMUK Group.

(iii) All board decisions of IPMUK which are not reserved matters of the board are passed by a simple majority. The board of IPMUK is made up of six directors, four of whom may be nominated and removed by IPKHL and two of whom may be nominated and removed by MPV. A resolution passed by directors appointed by shareholders holding in aggregate not less than 80 per cent. of the class A shares in IPMUK is required to approve various reserved matters, including the following:

(A) initiation and conduct of material legal proceedings in relation to the business;

(B) executive appointments and the terms and conditions of their employment;

(C) annual business plans and annual project plans and material amendment thereto;

(D) entry into any material contracts;

(E) material borrowings within the business;

(F) disposals or acquisitions of assets in transactions over a certain threshold; and

(G) grant of material security over the assets of the business.

(iv) In addition, a resolution passed by directors appointed by shareholders holding in aggregate not less than 80 per cent. of the class A shares in IPMUK and, subject to certain exceptions, a vote in favour by a Mitsui shareholder party and a vote in favour by IPKHL is required to approve the following reserved matters:

(A) acquisition by an entity in the IPMUK Group of shares, securities, assets or undertakings of any other person;

(B) formation by, or the dilution of the interests of, an entity in the IPMUK Group of any subsidiary, joint venture or partnership;

(C) the entry into or material variation of any contract with a shareholder or its undertakings, other than as contemplated in the Shareholders Agreement;

(D) provision of loans or advances over a certain threshold within the business;

(E) entering into, or repayment of amounts owed under loans made between an entity in the IPMUK Group with shareholders or their undertakings other than as contemplated in the Shareholders Agreement; and

(F) contribution of capital or other form of support other than as contemplated in the Shareholders Agreement.

(v) The shareholders may transfer their interests in the shares in IPMUK to third parties with the consent of the other shareholders (such consent not to be unreasonably withheld where the transferee meets certain agreed criteria) and after following the transfer procedures stated in the Shareholders Agreement. Under the transfer procedures, if a shareholder wishes to sell any part of its interest in the shares in IPMUK to a third party, then the other shareholders have the right to exercise a pre-emption right to acquire that interest or require the selling shareholder to also sell a proportion of such other shareholder's interest to the third party purchaser.

(n) ***Sponsors' Agreement***

On 19 November 2010, an agreement was entered into between International Power and Nomura, J.P. Morgan Cazenove, and Morgan Stanley pursuant to which Nomura, J.P. Morgan Cazenove and Morgan Stanley agreed to act as sponsors to International Power in connection with the Combination. Pursuant to this agreement, International Power has agreed to provide the Sponsors with certain indemnities, undertakings and warranties in connection with their role as International Power's sponsors. The indemnities provided by International Power indemnify the Sponsors against claims made against it or loss suffered or incurred in connection with their role as sponsors subject to certain exceptions.

16.2 **The GDF SUEZ Energy International Division**

The following is a summary of contracts (not being entered into in the ordinary course of business) which have been entered into by members of the GDF SUEZ Energy International Division: (i) within the two years immediately preceding the date of this Prospectus and which are, or may be, material; or (ii) which contain any provision under which any member of the GDF SUEZ Energy International Division has any obligation or entitlement which is material to the GDF SUEZ Energy International Division as at the date of this Prospectus.

(a) ***Merger of Chilean activities***

On 6 November 2009, the GDF SUEZ Group (through its subsidiaries Suez Energy Andino S.A. ("**SEA Andino**") and Suez Energy Andino Investments S.A. ("**SEAI**")) and Corporación Nacional del Cobre de Chile ("**Codelco**") decided to reorganise their respective shareholding participations in certain companies operating in the SING (the "**Chilean Merger**") by signing a merger agreement (the "**Chilean Merger Agreement**").

The companies involved in the reorganisation (each, an "**Operational Company**" and collectively the "**Operational Companies**") include two existing power generators of the SING, Edelnor S.A. ("**Edelnor**", a company that recently changed its name to E.CL S.A. ("**ECL**")) and Electroandina S.A. ("**Electroandina**"), together with the following companies: Gasoducto Norandino S.A. ("**GNAC**", owner of the Chilean portion of the gas pipeline delivering Argentinean gas to Electroandina and Edelnor), Gasoducto Norandino Argentina S.A. ("**GNAA**", owner of the Argentinean portion of the gas pipeline delivering Argentinean gas to Electroandina and Edelnor), Distrinor S.A. ("**Distrinor**", a small natural gas distribution company operating in the SING), Central Termoeléctrica Andina S.A. ("**CTA**", a company constructing a 165MW (gross) coal-fired power plant for operation in the SING) and CTH, a company constructing a 165MW (gross) coal-fired power plant for operation in the SING).

Upon closing of the Chilean Merger which occurred on 29 January 2010, GDF SUEZ consolidated its long-term control over the Operational Companies through a 52.4 per cent. controlling stake in Edelnor (the remaining interest in Edelnor being held by Codelco (40 per cent.) and other minority shareholders (7.6 per cent.)) and all previous existing shareholders' agreements with Codelco were terminated.

The Chilean Merger Agreement contains (i) standard representations given by SEA Andino and SEAI mainly relating to their due incorporation, powers and the absence of conflict with, or violations of, corporate documents, laws and existing agreements, and (ii) representations given by SEA Andino relating to the due incorporation, business and assets of CTA, CTH, GNAC and GNAA (companies in which Codelco did not have any shareholding interests at the date of the Chilean Merger Agreement).

The aggregate liability of each of SEA Andino and SEAI for breach of one or more representations is capped at US$25 million (with *de minimis* and aggregate claims thresholds applying). Indemnification claims would have to be made within 18 months from 29 December 2009.

The total consideration[21] for the Chilean Merger consisted of (i) the fair value of the equity interests exchange, amounting to €80 million, and (ii) cash consideration amounting to €93 million paid by SEA Andino to Codelco. On completion of the merger, SEA Andino paid US$49,240,829.18 to Codelco as a result of netting off certain payments in accordance with the agreed steps to completion of the Chilean Merger. On completion of the merger, SEA Andino assigned to Codelco a shareholder loan provided to ECL for an amount of US$226,356.36. This meant that the shareholder loans provided by each of SEA Andino and Codelco to ECL would then be in the same proportions as their respective shareholdings in ECL (not taking into account the percentage of ECL held by the minority shareholders).

21 Calculated in accordance with International Financial Reporting Standards.

(b) ***Acquisition of Senoko Power***

On 5 September 2008, GDF SUEZ (through SUEZ-TRACTEBEL) and a consortium of Japanese partners (Marubeni, Kansai Electric Power Co, Kyushu Electric Power and the Japan Bank for International Cooperation (JBIC)) entered into an agreement for the purchase of the entire issued share capital of Senoko Power Limited ("**Senoko Power**") for an amount of SG$3.65 billion (equivalent to €521 million) through a joint venture vehicle (in which the GDF SUEZ Group, through SUEZ-TRACTEBEL, holds a 30 per cent. interest and in which the remaining 70 per cent. is held by the consortium of Japanese partners).

The shares in Senoko Power were acquired from Temasek Holdings (Private) Limited ("**Temasek**"), a Singapore state-owned company and the consideration for such shares has been fully paid. Under the terms of the share purchase agreement Temasek gave limited and qualified representations and warranties and extensive indemnity obligations were included to cover any loss which Temasek may suffer by reason of any breach of any undertaking by the purchaser. Most of these undertakings were limited in time and have now expired (including the applicability of the parent guarantee given in favour of Temasek by each of the transaction guarantors (including Electrabel) on a several basis to cover due payment of the entire consideration, which expired on 5 March 2010). Some limited undertakings remain applicable in respect of which a parent company performance guarantee continues to apply.

The investment structure is comprised of a Japanese holding company, which holds a 70 per cent. interest in Senoko Power (resulting in indirect shareholdings for the Japanese shareholders as follows: 30 per cent. by Marubeni, 15 per cent. by Kansai, 15 per cent. by Kyushu and 10 per cent. by JBIC), and a GDF SUEZ holding company, TWMB Holdings BV, which holds a 30 per cent. interest in Senoko Power. The shareholders' agreement was executed by the Japanese holding company, TWMB Holdings BV and their respective parent companies (including Electrabel). Until 31 December 2012, the governance arrangements require unanimity to pass resolutions both at board and shareholders' meetings. From 1 January 2013, the governance arrangements require, at both board and shareholders' meetings, at least 75 per cent. of the ultimate shareholders in Senoko Power to pass a resolution (the Japanese shareholders vote independently in line with their indirect shareholdings in Senoko Power rather than voting as one group through the Japanese holding company). As a result, resolutions can be passed jointly by GDFS and Marubeni, together with one of Kansai or Kyushu. Unanimity will always be required to pass resolutions concerning reserved matters, which include changes to the Senoko Power dividend policy.

Under the shareholders' agreement all shareholders have rights of first refusal, which shall apply in relation to any intended transfer by any of the shareholders of its shares in Senoko Power to a third party (other than to a wholly owned affiliate or the financing parties). Given that the Transaction would result in a transfer by Electrabel of its shares in Senoko Power to a non-wholly owned affiliate, the right of first refusal shall apply.

The shareholders' agreement further stipulates that shareholders shall respect the requirements under the financing agreements for direct and indirect transfers of shares in the project. Under the financing agreements covering the refinancing of the original acquisition debt, Electrabel is not allowed to reduce its indirect shareholding in the project below 25 per cent. This transfer restriction is not limited in time so exists for the full term of the financing agreements (5 years starting 12 November 2009). It is noted that the Transaction would result in the indirect shareholding of Electrabel in Senoko Power being reduced to 21 per cent. and will thus require consent from all financing parties under all financing agreements.

Senoko Power is the largest power generation company in Singapore by licensed capacity, and owns and operates a portfolio of power plants, located mainly in the north of Singapore, with a total licensed generation capacity of 3,300MW (gross) including a mix of oil and gas-fired power plants.

At the time of the acquisition of Senoko Power, a short term, non-recourse bullet 1.5 year Bridge Credit Facility was taken, together with a Repowering Credit Facility denominated in Japanese Yen (backed by guarantees provided by each transaction guarantor on a several basis, including Electrabel) to fund the conversion of three 250MW oil-fired steam turbines into two 430MW gas-fired combined cycle power plants. The Bridge Credit Facility was prematurely refinanced on 20 November 2009, involving two facility agreements comprising of a senior facility denominated in Singapore Dollars and a mezzanine facility denominated in US Dollars.

(c) ***Acquisition of FirstLight Power Enterprises***

On 30 August 2008, GDF SUEZ Group (through its subsidiary Suez Bidco, LLC) entered into a stock purchase agreement with certain funds managed by Energy Capital Partners, as sellers, pursuant to which the GDF SUEZ Group agreed to acquire 100 per cent. of the issued share capital of FirstLight Power Enterprises, Inc. The FirstLight stock purchase agreement contains covenants, representations and warranties, as well as indemnification provisions for breaches of certain representations and warranties and post closing covenants that are typical for this type of transaction. The acquisition closed on 26 December 2008. The GDF SUEZ Group paid cash consideration of €652 million. The time periods for indemnification claims other than for fraud or wilful misconduct have now expired. With the exception of the aforementioned indemnification obligations, neither the sellers nor GDF SUEZ have any further obligations under the FirstLight stock purchase agreement, other than ongoing mutual confidentiality and record keeping/sharing obligations.

FirstLight Power Enterprises, Inc. owns and operates a portfolio of 15 electrical power plants located in the U.S. states of Massachusetts and Connecticut, including pumped hydro storage, coal-fired, hydroelectric and jet-powered. These facilities have an aggregate installed generation capacity of 1,538MW.

17. DIVIDEND POLICY

The following table sets out the dividend per Ordinary Share paid in respect of each of the financial years ended 2007, 2008 and 2009:

	Reported dividend per Ordinary Share (pence per Ordinary Share)
Financial year ended 31 December 2009	12.53
Financial year ended 31 December 2008	12.15
Financial year ended 31 December 2007	10.16

The Enlarged International Power will target an earnings per share payout ratio of 40 per cent., consistent with International Power's existing dividend policy. It is expected that Enlarged International Power will continue to declare an interim dividend in each year of an amount which is equal to 35 per cent. of the previous year's full-year dividend.

18. WORKING CAPITAL

International Power is of the opinion that, taking into account the financing support available to the Enlarged International Power Group under the Financing Framework Agreement, the working capital available to the Enlarged International Power Group is sufficient for its present requirements, that is, for at least the period of 12 months following the date of this Prospectus.

19. NO SIGNIFICANT CHANGE

19.1 There has been no significant change in the financial or trading position of the International Power Group since 30 June 2010, being the date to which the latest published interim financial information of the International Power Group was prepared.

19.2 Save for the significant changes detailed on page 178 of this Prospectus in relation to the first tranche of the Cash Injection, the partial split of SUEZ-TRACTEBEL and the issuance of the 2021 Chilean Notes, there has been no significant change in the financial or trading position of the GDF SUEZ Energy International Division since 30 June 2010, being the date to which the latest interim financial statements of the GDF SUEZ Energy International division were prepared.

20. LEGAL AND ARBITRATION PROCEEDINGS

Legal and Arbitration Proceedings relating to International Power

20.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which International Power is aware) which may have or have had in the recent past (covering the 12 months immediately preceding the date of this Prospectus) a significant effect on International Power and/or the International Power Group's financial position or profitability.

Legal and Arbitration Proceedings relating to GDF SUEZ Energy International

20.2 Save as disclosed in this paragraph 20.2 of Part 12 (*Additional Information*) of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which International Power is aware) which may have or have had in the recent past (covering the 12 months immediately preceding the date of this Prospectus) a significant effect on GDF SUEZ Energy International's financial position or profitability.

(a) ***Claim by the US tax authorities ("IRS")***

A number of US subsidiaries within the GDF SUEZ Energy International Division were subject to a tax audit by the IRS, with respect to the 2004 and 2005 financial years. The amounts which were initially assessed were significant but have been reduced in 2009 and 2010 in the course of the appeal procedure. The remaining contested amounts for these periods correspond to tax and interest expenses in the amount of US$13 million. These subsidiaries were also recently subject to a tax audit by the IRS with respect to the 2006 and 2007 financial years. Further to this tax audit, it is probable that the subsidiaries will contest the tax adjustments.

(b) ***Claims by the Belgian tax authorities to SUEZ-TRACTEBEL***

The Special Inspection Department of the Belgian tax authorities is claiming €188 million from SUEZ-TRACTEBEL concerning past investments in Kazakhstan. SUEZ-TRACTEBEL has filed an appeal with the administrative court against these claims.

As the Belgian tax authorities had still not taken a decision ten years after the claim, an appeal was lodged with the Court of First Instance of Brussels (Belgium) in December 2009. There has been no development in the case since the appeal was lodged.

The Special Inspection Department of the Belgian tax authorities has also been claiming taxes on financial income generated in Luxembourg by the Luxembourg-based cash management branch of SUEZ-TRACTEBEL. This financial income has already been taxed in Luxembourg and therefore SUEZ-TRACTEBEL asserts that this financial income is exempt from tax in Belgium in accordance with the Belgium-Luxembourg convention for the prevention of double taxation. The Special Inspection Department of the Belgian tax authorities has refused to accept the applicability of this exemption. The tax assessed in Belgium amounts to €21 million for the period 2003 to 2006. The GDF SUEZ Group has challenged the decision of the Special Inspection Department of the Belgian tax authorities before the Court of First Instance in Brussels. The hearing is scheduled to take place at the end of 2011.

21. SOURCES AND BASES OF INFORMATION

The sources and bases of statements relating to the market position of International Power and the GDF SUEZ Energy International Division are set out in this Prospectus where the statement is made. Certain information has been obtained from external publications and is sourced in this Prospectus where the information is included. The Company confirms that, where information has been sourced from a third party, that information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

In addition, save as otherwise stated:

(a) financial information relating to International Power and the International Power Group for the six month period ended 30 June 2010 has been extracted (without material adjustment) from the Restated 2010 Condensed Interim Financial Information;

(b) references in this Prospectus to financial information relating to International Power or the International Power Group for the financial year ended 31 December 2009 are references to the Restated 2009 Consolidated Financial Information;

(c) financial information relating to the GDF SUEZ Energy International Division has been extracted (without material adjustment) from the GDF SUEZ Energy International audited combined interim financial information referred to in Section D of Part 8 (*GDF SUEZ Energy International Financial Information*) which has been incorporated by reference into this Prospectus and the audited combined financial information referred to in Section B of Part 8 (*GDF SUEZ Energy International Financial Information*) which has been incorporated by reference into this Prospectus;

(d) the *pro forma* ratio of net debt, excluding the impact of derivative instruments and amortised cost, at 30 June 2010 to EBITDA for the year ended 31 December 2009 for the Enlarged International Power Group is 3.4x, based on *pro forma* net debt of £10.8 billion as shown in the Unaudited Pro Forma Combined Statement of Net Assets of the Enlarged International Power Group referred to in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus and *pro forma* EBITDA for the year ended 31 December 2009 of £3.2 billion as shown in note 7 to the Unaudited Pro Forma Combined Income Statement of the Enlarged International Power Group referred to in Section A of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) of this Prospectus and incorporated by reference into this Prospectus;

(e) the estimations of (i) operating and financing pre-tax synergies of £165 million per annum; (ii) operating pre-tax synergies of £104 million per annum; (iii) pre-tax financing synergies of £61 million per annum; and (iv) implementation costs of approximately £130 million, in each case, referred to in the section entitled "*Rationale for the Combination – Synergy Benefits from the Combination*" of Part 1 (*Information on the Combination*) of this Prospectus are unaudited numbers based on management estimates; and

(f) the additional annual EBITDA contribution at an estimated £872 million by 2013 referred to in the section entitled "*Rationale for the Combination – Value Enhancing Transaction with Strong Growth Prospects for the Combined Business*" of Part 1 (*Information on the Combination*) of this Prospectus is an unaudited number based on management estimates.

22. GENERAL

22.1 The Sponsors are authorised and regulated in the United Kingdom by the Financial Services Authority.

22.2 Each of Nomura, J.P. Morgan Cazenove and Morgan Stanley has given and not withdrawn its consent to the inclusion in this Prospectus of its name and the references thereto in the form and context in which they are included.

22.3 The auditors of International Power are KPMG Audit Plc who have audited the accounts of International Power for the years ended 31 December 2007, 31 December 2008 and 31 December 2009.

22.4 KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its report incorporated by reference in Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) of this Prospectus and the references thereto in the form and context in which it is included and has authorised the contents of those parts of the document which comprise its report for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules.

22.5 Deloitte & Associés have audited the historical combined financial information of GDF SUEZ Energy International for the three years ended 31 December 2007, 2008 and 2009 and the historical combined interim financial information of GDF SUEZ Energy International for the six month period ended 30 June 2010.

22.6 Deloitte & Associés is a member firm of the Institute of Chartered Accountants in France and of the French National Body of Statutory Auditors (*the Compagnie Nationale des Commissaires aux Comptes*) and has given and has not withdrawn its written consent to the inclusion of its reports incorporated by reference in Part 8 (*GDF SUEZ Energy International Financial*

Information) of this Prospectus and the references thereto in the form and context in which they are included and has authorised the contents of those parts of the document which comprise its reports for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules.

22.7 The total costs, charges and expenses to be borne by International Power in connection with the Combination are estimated to amount to approximately £75 million (excluding any amounts in respect of value added tax thereon).

22.8 The Existing Ordinary Shares currently in issue are, and the New Ordinary Shares will be, in registered form and capable of being held in uncertificated form in CREST. CREST is an electronic settlement system that enables Ordinary Shares to be evidenced otherwise than by a physical certificate and transferred electronically rather than by delivery of a physical certificate. In the event that Ordinary Shares are held in certificated form, share certificates will be sent to the registered member. Title to the certificated Ordinary Shares is/will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares is/will be evidenced by entry in the operator register maintained by CREST. Under English law, persons who are neither resident nor nationals of the United Kingdom may freely hold, vote and transfer Ordinary Shares in the same manner and subject to the same terms as United Kingdom residents or nationals. Share certificates are expected to be issued in respect of the New Ordinary Shares in accordance with applicable legislation. Certificates already in issue for the Existing Ordinary Shares will remain valid following Admission of the New Ordinary Shares.

22.9 When admitted to trading, the New Ordinary Shares will be registered with the same International Security Identification Number "**ISIN**" as is used for Existing Ordinary Shares, which is GB0006320161.

22.10 None of the New Ordinary Shares have been or will be marketed or made available to the public in whole or in part in conjunction with the applications for admission to listing of those securities on the Official List and to trading of those securities on the Main Market of the London Stock Exchange.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 85 Queen Victoria Street, London, EC4V 4DP and at the offices of Clifford Chance LLP, the Company's solicitors, at 10 Upper Bank Street, London, E14 5JJ up to and including the date of Admission:

23.1 this Prospectus (including the Restated 2007 Consolidated Financial Information, the Restated 2008 Consolidated Financial Information, the Restated 2009 Consolidated Financial Information and the Restated 2010 Condensed Interim Financial Information);

23.2 the Articles of Association of the Company;

23.3 the report of KPMG Audit Plc in respect of the Restated Consolidated Financial Information for the three financial years ended 31 December 2009 set out in Part 7 (*International Power Financial Information*) of this Prospectus;

23.4 the Circular, including the following:

(a) the reports of Deloitte & Associés in respect of the financial information referred to in Sections A and C of Part 8 (*GDF SUEZ Energy International Financial Information*) and incorporated by reference into this Prospectus; and

(b) the report of KPMG Audit Plc in respect of the unaudited *pro forma* combined financial information referred to in Section B of Part 9 (*Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group*) and incorporated by reference into this Prospectus.

PART 13: DOCUMENTATION INCORPORATED BY REFERENCE

The table below sets out the various sections of documents which have been filed with the FSA on or prior to the date of this Prospectus, and are incorporated by reference into this Prospectus, so as to provide the information required pursuant to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of International Power and of the Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of International Power, and of the rights attaching to the Ordinary Shares. These documents are also available on the Company's website at www.ipplc.com and as described under paragraph 23 of Part 12 (*Additional Information*).

Information incorporated by reference into this document	*Page number in Circular*
Pro forma financial information	
Unaudited *pro forma* combined financial information for the Enlarged International Power Group	279
Unaudited *pro forma* combined income statement of the Enlarged International Power Group	280-285
Unaudited *pro forma* combined statement of net assets of the Enlarged International Power Group	286-289
Report on the unaudited *pro forma* combined financial information for the Enlarged International Power Group	290-291

GDF SUEZ Energy International Division financial information incorporated by reference into this document	*Page number in Circular*
For the 2009 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
Notes to the combined financial statements	85-183
Independent auditors' report	184-185

GDF SUEZ Energy International Division financial information incorporated by reference into this document	*Page number in Circular*
For the 2008 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
Notes to the combined financial statements	85-183
Independent auditors' report	184-185

GDF SUEZ Energy International Division financial information incorporated by reference into this document	*Page number in Circular*
For the 2007 Financial Year	
Combined Statement of Financial Position	80
Combined Income Statement	81
Combined Statement of Comprehensive Income	82
Combined Statement of Changes in Shareholders' Equity	83
Combined Cash Flow Statement	84
Notes to the combined financial statements	85-183
Independent auditors' report	184-185

GDF SUEZ Energy International Division financial information incorporated by reference into this document	*Page number in Circular*
For the six month periods ended 30 June 2010 and 30 June 2009	
Interim Combined Statement of Financial Position	186
Interim Combined Income Statement	187
Interim Combined Statement of Comprehensive Income	188
Interim Combined Cash Flow Statement	189-190
Interim Combined Statement of Changes in Shareholders' Equity	190-191
Notes to the combined financial statements	192-274
Independent Auditors' Report	275-276

The documents incorporated by reference in this Prospectus have been incorporated by reference in compliance with Prospectus Rule 2.4.1.

Information which is itself incorporated by reference or referred or cross-referred to in these documents is not incorporated by reference into this Prospectus. Except as set forth above, no other portion of these documents is incorporated by reference into this Prospectus.

Dated: 21 December 2010

PART 14: DEFINITIONS AND GLOSSARY

The definitions set out below apply throughout this Prospectus, unless the context requires otherwise.

"**2021 Chilean Notes**"	the 5.625 per cent. US$400 million unsecured notes due 2021 issued by E-CL S.A., a subsidiary within the GDF SUEZ Energy International Division, described more fully in Part 6 (*Operating and Financial Review relating to the GDF SUEZ Energy International Division*) of this Prospectus, under the sub-heading "*Borrowings and Indebtedness*"
"**3.25 per cent. Convertible Euro Bonds due 2013**"	the 3.25 per cent. €230,000,000 guaranteed convertible bonds due 2013 issued by International Power Finance (Jersey) II Limited
"**3.75 per cent. Convertible US Dollar Bonds due 2023**"	the 3.75 per cent. US$252,500,000 guaranteed convertible bonds due 2023 issued by International Power (Jersey) Limited
"**4.75 per cent. Convertible Euro Bonds due 2015**"	the 4.75 per cent. €700,000,000 guaranteed convertible bonds due 2015 issued by International Power Finance (Jersey) III Limited
"**Act**" "**2006 Act**" or "**Companies Act 2006**"	The Companies Act 2006 (as amended) of England and Wales
"**Admission**"	the admission of the New Ordinary Shares by the FSA (in its capacity as the UK Listing Authority), to listing on the Official List and to trading on the Main Market of the London Stock Exchange becoming effective
"**AGM**"	the annual general meeting of International Power
"**Articles of Association**" or "**Articles**"	the articles of association of International Power, details of which are set out in paragraph 5 of Part 12 (*Additional Information*) of this Prospectus
"**Associated Company**"	(a) any company of which International Power has Control, or by which International Power is Controlled; or (b) any company which is controlled by a person or persons where that person or those persons also Control International Power
"**Australian dollar**" or "**A$**"	the lawful currency of Australia
"**BEEI**" or "**GDF SUEZ Energy Europe & International**"	GDF SUEZ's business line Energy Europe and International as described more fully in Section A of Part 3 (*Information on GDF SUEZ Energy International*) of this Prospectus
"**BETTA**"	British Electricity Trading and Transmission Arrangements
"**Brazilian Real**", "**Brazilian real**" or "**R$**"	the lawful currency of Brazil
"**Business Day**"	a day on which banks are generally open in England and Wales for the transaction of business, other than a Saturday or Sunday or a public holiday
"**Canadian dollar**" or "**C$**"	the lawful currency of Canada
"**Capacity**"	generator capacity (measured in megawatts (MW), usually indicated on a manufacturer's nameplate physically attached to the generator and subject to adjustments due to site conditions and reference fuel
"**Cash Injection**"	the payments that Electrabel, a wholly-owned subsidiary of GDF SUEZ, is obliged to make in accordance with the Merger Deed for the purpose of funding the Special Dividend and in order to repay certain intra-group debts owed by the GDF SUEZ Energy International Division to the Wider GDF SUEZ Group
"**CCGT**" or "**combined cycle gas turbine**"	the combination of a gas turbine (GT) and steam turbine (ST) in a configuration that enables electricity to be generated directly from a generator driven by the GT and, by using exhaust gases from the

	GT to produce steam, an ST coupled to the same generator or another generator
"**CEO**"	the chief executive officer from time to time of International Power or Enlarged International Power (as applicable)
"**certificated**" or in "**certificated form**"	a share or other security which is not in uncertificated form (that is, not in CREST)
"**CFO**"	the chief financial officer from time to time of International Power or Enlarged International Power (as applicable)
"**CGU**"	a cash generating unit
"**Circular**"	the circular sent to holders of Existing Ordinary Shares on 19 November 2010, containing the notice convening the General Meeting
"**City Code**"	the City Code on Takeovers and Mergers, as amended from time to time
"**Closing**"	Closing of the Merger Deed
"**CO_2**"	carbon dioxide
"**Combination**" or "**Transaction**"	the proposed combination of International Power and GDF SUEZ Energy International to be implemented by the transfer by the Sellers of the GDF SUEZ Energy International Division to International Power in exchange for the issue by International Power to the Sellers of a total of 3,554,347,956 Ordinary Shares, in each case, pursuant to the terms of and subject to the conditions in the Merger Deed
"**Combined Code**"	(a) in respect of accounting periods of the Company commencing prior to 29 June 2010, the UK Combined Code on Corporate Governance (2008) published under the authority of the FSA as amended or supplemented from time to time; and (b) in respect of accounting periods of the Company commencing on or after 29 June 2010, the UK Corporate Governance Code (2010) published under the authority of the FSA, as amended or supplemented from time to time
"**Companies Acts**"	every statute (including any orders, regulations or other subordinate legislation passed under it) from time to time in force concerning companies insofar as it applies to International Power
"**Competing Proposal**"	(a) a proposal by a third party of an intention to make an offer or a possible offer for International Power or to acquire more than 30 per cent. of the issued ordinary share capital of International Power; or (b) a proposal by International Power or made to shareholders of International Power, which involves a change of control of International Power or the disposal of any interest in a material part of the business of International Power or the International Power Group, where such disposal would constitute a Class 1 transaction under the Listing Rules
"**Conditions**"	The conditions to the Closing of the Transaction, as set out in Schedule 3 to the Merger Deed being summarised in Part 12 (*Additional Information*) of this Prospectus
"**Continental Europe**"	Albania, Andorra, Austria, Belarus, Belgium, Bosnia, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France (including French overseas territories and departments: *Territoires d'outre-mer (TOM) and Département d'outre-mer (DOM)*), Germany, Gibraltar, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland and Ukraine.

"**Control**"	in relation to a body corporate, the power of a person to secure: (a) by means of the holding of shares or the possession of voting rights in or relating to that or any other body corporate; or (b) by virtue of any powers conferred by articles of association or other documentation regulating that or any other body corporate that the affairs of the first mentioned body corporate are conducted in accordance with the wishes of that person
"**Convertible Bonds**"	the 3.25 per cent. Convertible Euro Bonds due 2013, the 4.75 per cent. Convertible Euro Bonds due 2015 and the 3.75 per cent. Convertible US Dollar Bonds due 2023
"**COO**"	chief operations officer of Enlarged International Power from time to time
"**CREST**"	the relevant system (as defined in the Regulations) in respect of which Euroclear UK is the operator (as defined in the Regulations)
"**dark spread**"	the difference between the cost of coal to generate electricity and the price at which electricity is sold
"**Deferred Shares**"	the 21 deferred shares of 1 penny each in the capital of International Power
"**desalination plant**"	a plant which produces drinking water from sea water
"**Directors**" or the "**International Power Directors**"	the directors of International Power as at the date of this Prospectus excluding, for the avoidance of doubt, the Proposed Directors
"**Disclosure and Transparency Rules**" or "**DTRs**"	rules and regulations of the FSA relating to the disclosure of information made under Part VI of the Financial Services and Markets Act
"**distribution network**"	a group of physical structures consisting mainly of medium or low-pressure pipes that routes natural gas to consumers who are not directly connected to the main network or to a regional transmission network
"**EBITDA**"	earnings before interest, tax, depreciation and amortisation
"**EGAT**"	Electricity Generating Authority of Thailand
"**Electrabel**"	Electrabel S.A., a wholly-owned subsidiary of GDF SUEZ
"**Electrabel Services Agreement**"	the services agreement dated 13 October 2010 between International Power and Electrabel pursuant to which certain services will be provided by the Wider GDF SUEZ Group to the Enlarged International Power Group
"**Enlarged International Power**"	International Power following Closing
"**Enlarged International Power Board**"	the board of directors of Enlarged International Power from time to time
"**Enlarged International Power Directors**"	the directors of Enlarged International Power from time to time
"**Enlarged International Power Group**"	Enlarged International Power and its subsidiary and subsidiary undertakings from time to time and, unless the context otherwise requires, where used in the context of consolidated financial information or capacity of Power Generation Plants, in each case, of Enlarged International Power, shall also include the proportionate share of its joint ventures from time to time
"**EPC contract**"	engineering, procurement and construction contract, used principally for the building of power stations by a turnkey contractor
"**EPS**"	earnings per share

"**Equiniti**"	Equiniti Limited, being the Company's registrars
"**ERCOT**"	Electricity Reliability Council of Texas
"**ESPS**"	Electricity Supply Pension Scheme
"**EU**" or "**European Union**"	the European Union first established by the treaty made at Maastricht on 7 February 1992
"**EUAS**"	the electricity generation company owned by the Turkish state whose activities include the operation of the state-run power plants located in Turkey which are not transferred to the private sector. In addition, it remains the sole owner of power plants whose operating rights have been transferred to private companies
"**EUETS**"	European Union Emission Trading Scheme
"**EURIBOR**"	Euro Interbank Offered Rate
"**Euro**" or "**€**"	the single currency of the Member States of the European Communities that adopt or have adopted the Euro as their lawful currency under the legislation of the EU or European Monetary Union
"**Euroclear UK**"	Euroclear UK & Ireland Limited (formerly named CRESTCo Limited), the operator of CREST
"**EWGs**"	Exempt wholesale generators
"**Executive Directors**"	collectively the CEO, COO and CFO of Enlarged International Power and each an "**Executive Director**"
"**Existing Executive Directors**"	the International Power Directors other than the Existing Non-Executive Directors
"**Existing Non-Executive Directors**"	the International Power Directors who hold the position of Chairman or Non-Executive Directors
"**Existing Ordinary Shares**"	the ordinary shares of 50 pence each in the capital of International Power at the date of this Prospectus
"**Expatriates Services Agreement**"	the expatriates services agreement dated 13 October 2010 between International Power and Electrabel providing for the provision of certain professional support services relating to expatriates, summarised in paragraph 16.1(e) of Part 12 (*Additional Information*) of this Prospectus
"**Existing Shareholders**"	the Shareholders immediately prior to Admission
"**Feed-in tariff**"	guaranteed tariff for energy produced, often provided by governments to support renewable generation
"**FERC**"	the United States Federal Energy Regulatory Commission
"**FGD**"	flue gas desulphurisation
"**Financial Services and Markets Act**" or "**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**Financial Services Authority**" or "**FSA**"	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act and any successor(s) thereto
"**Financial Statements**"	the Restated 2007 Consolidated Financial Information, Restated 2008 Consolidated Financial Information, Restated 2009 Consolidated Financial Information and the Restated 2010 Condensed Interim Financial Information
"**Financing Framework Agreement**"	the financing framework agreement dated 13 October 2010 between International Power, Electrabel and GDF SUEZ setting out the main terms and conditions of the financing arrangements, summarised in paragraph 16.1(f) of Part 12 (*Additional Information*) of this Prospectus
"**FPA**"	the United States Federal Power Act 1935

"**FSAs**" or "**Fuel supply agreement**" or "**Fuel supply contract**"	means fuel supply agreements
"**Functional currency**"	the currency of the primary economic environment in which the entity operates
"**Gas pipeline**"	a pipeline that conveys fuel gas
"**Gaz de France**"	Gaz de France S.A., with whom SUEZ merged in 2008 to form the GDF SUEZ Group
"**GDF SUEZ Appointed Director**"	a director of Enlarged International Power appointed by the Wider GDF SUEZ Group pursuant to the Relationship Agreement
"**GDF SUEZ CC**"	GDF Suez CC
"**GDF SUEZ Energy ATSA**"	GDF SUEZ Energy Asia, Turkey & Southern Africa BV, a wholly-owned subsidiary of Electrabel
"**GDF SUEZ Energy Europe & International**"	BEEI
"**GDF SUEZ Energy International Business Areas**"	GDF SUEZ Energy North America, GDF SUEZ Energy Latin America, and GDF SUEZ Energy Middle East, Asia & Africa
"**GDF SUEZ Energy International**"	GDF SUEZ's Energy International Business Areas (outside Europe) and certain assets in the UK and Turkey, as described in Part 3 (*Information on GDF SUEZ Energy International*) of the Circular
"**GDF SUEZ Energy International Division**"	the GDF SUEZ Energy International Holding Companies, the companies listed in Schedule 2 of the Merger Deed which undertake the business of GDF SUEZ Energy International and any other subsidiary of the GDF SUEZ Energy International Holding Companies, in each case, from time to time and together reflecting GDF SUEZ Energy International following completion of the GDF SUEZ Energy International Reorganisation
"**GDF SUEZ Energy International Holding Companies**"	GDF SUEZ Energy ATSA, SUEZ-TRACTEBEL, GDF SUEZ Energy International Invest S.à r.l and GDF SUEZ IP Limited
"**GDF SUEZ Energy International Reorganisation**"	The reorganisation of the corporate structure of certain aspects of the GDF SUEZ Group described in Part 1 (*Information on the Combination*)
"**GDF SUEZ Energy Latin America**" or "**GSELA**"	the assets of GDF SUEZ summarised in Section A of Part 3 (*Information on GDF SUEZ Energy International*)
"**GDF SUEZ Energy Middle East, Asia & Africa**" or "**GSEMEAA**"	the assets of GDF SUEZ summarised in Section A of Part 3 (*Information on GDF SUEZ Energy International*)
"**GDF SUEZ Energy North America**" or "**GSENA**"	the assets of GDF SUEZ summarised in Section A of Part 3 (*Information on GDF SUEZ Energy International*)
"**GDF SUEZ Energy UK**"	the UK assets of GDF SUEZ summarised in Section A of Part 3 (*Information on GDF SUEZ Energy International*)
"**GDF SUEZ Group**"	GDF SUEZ and its subsidiaries and subsidiary undertakings from time to time
"**GDF SUEZ IED Entities**"	the entities which are to be transferred to International Power on Admission of the New Ordinary Shares in connection with the Combination
"**GDF SUEZ**"	GDF SUEZ S.A.
"**GEMA**"	Gas and Electricity Markets Authority
"**General Meeting**"	the general meeting of the Company held at the ExCeL Centre, One Western Gateway, Royal Victoria Dock, London E16 1XL at 10.30 a.m. on 16 December 2010, a notice of which is set out in Part 11 (*Notice of General Meeting*) of the Circular

"**GHG**"	greenhouse gas
"**Greenfield**"	undeveloped land, either currently used for agriculture or just left to nature
"**Gross**"	the total MW of all the generating assets in which the relevant company has an interest
"**Gross capacity power**"	maximum electrical output that can be produced at reference site conditions
"**Group**"	(a) where used in the context of the sub-section entitled "*Risk Factors*" beginning on page 7 and the section entitled "*Risk Factors*" beginning on page 11 shall have the meaning given on page 11 of this Prospectus; (b) where used in the context of Part 5 (*Operating and Financial Review relating the International Power Group*) shall have the meaning given on page 97 of this Prospectus and (c) where used in the context of Part 7 (*International Power Financial Information*), shall have the meaning given in note 1.1 to the Restated Consolidated Financial Information for the three financial years ended 31 December 2009 and note 1.1.1 to the Restated 2010 Condensed Interim Financial Information, as applicable
"**GSIP**"	GDF SUEZ IP Limited
"**GW**"	gigawatt; one gigawatt equals 1,000 megawatts
"**GWh**"	Gigawatt-hour (1 million kilowatt-hours)
"**Hart-Scott-Rodino Act**"	Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended
"**HMRC**"	HM Revenue & Customs
"**HS&E**"	Health, safety and environment
"**IAS**"	International Accounting Standards
"**IFRIC**"	International Financial Reporting Interpretations Committee
"**IFRS**"	International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union
"**IGCC**"	Integrated gasification combined cycle
"**Independent Non-Executive Director**"	Independent non-executive director of Enlarged International Power
"**Independent Power Producer**" or "**IPP**"	an electricity production company independent of public sector control. IPPs are classified exclusively on the basis of the projects developed outside the country of origin
"**Independent Shareholders**"	Shareholders, other than GDF SUEZ and any person acting in concert with GDF SUEZ
"**International Power**" or the "**Company**"	International Power plc
"**International Power Appointments Committee**"	the appointments committee of International Power Board, as constituted from time to time
"**International Power Audit Committee**"	the audit committee of the International Power Board, as constituted from time to time
"**International Power Board**"	the board of directors of International Power
"**International Power Group**"	(a) except in Part 5 (*Operating and Financial Review Relating to the International Power Group*) of this Prospectus, International Power and its subsidiaries and subsidiary undertakings from time to time prior to Closing, and (b) in Part 5 (*Operating and Financial Review*

	Relating to the International Power Group) of this Prospectus only, International Power, its subsidiaries and the proportionate share of International Power's joint ventures
"**International Power Health, Safety and Environment Committee**"	the health, safety and environment committee of the International Power Board, as constituted from time to time
"**International Power Remuneration Committee**"	the remuneration committee of the International Power Board, as constituted from time to time
"**International Power Risk Committee**"	the risk committee of the International Power Board, as constituted from time to time
"**International Power Services Agreement**"	the services agreement dated 19 November 2010 between International Power and Electrabel pursuant to which certain services will be provided by the Enlarged International Power Group to the Wider GDF SUEZ Group
"**International Power Share Schemes**"	the International Power plc Approved Executive Share Option Plan, the International Power plc Unapproved Executive Share Option Plan, the International Power plc Global Executive Share Option Plan, the International Power plc 2002 Performance Share Plan, the International Power plc SAYE Plan, the International Power plc Global Sharesave Plan, the International Power plc 2010 UK Sharesave Plan, the International Power plc 2010 Global Sharesave Plan and the International Power plc 2010 UK Share Incentive Plan
"**International Power Shareholders**"	holders of Existing Ordinary Shares
"**ISIN**"	International Securities Identification Number
"**ISO**"	an independent system operator
"**IWPPs**"	Independent Water and Power Producers
"**JBIC**"	The Japan Bank for International Co-operation
"**J.P. Morgan Cazenove**"	J.P. Morgan plc (which conducts its UK investment banking activities as J. P. Morgan Cazenove)
"**KESC**"	The Leading Electricity Supply Company
"**kW**"	kilowatt: one kW equals 1,000 watts
"**Kyoto Protocol**"	a protocol to the International Framework Convention on Climate Change with the objective of reducing greenhouse gases in an effort to prevent climate change
"**LIBOR**"	London Interbank Offered Rate
"**Liquefied Natural Gas**" or "**LNG**"	natural gas put into the liquid phase by lowering its temperature to -62 degrees Celsius, which makes it possible to reduce its volume by a factor of at least 600
"**Listing Rules**"	rules and regulations of the FSA made under Part VI of the Financial Services and Markets Act
"**LLP Agreement**"	a limited liability partnership agreement between International Power, Mitsui & Co., Ltd and others setting out the terms on which IPM Eagle LLP is organised and the rights and obligations of its members originally dated 29 July 2004 (as amended and restated on 1 June 2005)
"**LNG terminal**"	industrial facility that receives, unloads, stores, regasifies LNG and sends natural gas in the gaseous state to the transmission grid. Harbour facility with additional facilities, intended to receive ships that transport LNG
"**London Stock Exchange**"	London Stock Exchange plc or its successor(s)
"**Main Market**"	the main market for listed securities

"**mark-to-market**"	the act of attributing a fair or market value to a financial instrument rather than its historical cost. Marking to market is required under accounting rules for certain derivatives and financial instruments
"**MBR**"	market based rate
"**MEED**"	a premium subscription website which features business news, data and analysis, tenders and contracts awarded from the Middle East
"**Megawatt-hour (MWh)**"	a watt hour is the amount of energy used by a onewatt load drawing power for one hour. The megawatthour (MWh) is 1,000 times larger than the kilowatthour and is used for measuring the energy output of large power plants
"**merchant market**"	a merchant market is a deregulated market. It is a market in which electricity is bought and sold competitively by multiple market participants
"**merchant plant**"	a plant that operates in deregulated markets, selling power into the traded market without long-term power purchase agreements (PPAs)
"**Merger Deed**"	the Merger Deed dated 13 October 2010 entered into between International Power, Electrabel and GDF SUEZ in relation to the Combination
"**MIGD**"	millions of imperial gallons per day
"**Mitsui**"	Mitsui & Co. Ltd
"**Morgan Stanley**"	Morgan Stanley & Co. Limited
"**MOU**"	the memorandum of understanding dated 10 August 2010 between International Power, GDF SUEZ and Electrabel in relation to the Combination
"**MW**"	megawatt: one MW equals 1,000 kilowatts or one million watts
"**MWth**"	megawatt of thermal power, which is a measurement of heat
"**National Power**"	National Power plc (renamed International Power plc in April 2000)
"**NEM**"	the National Electricity Market of Australia
"**Net**"	the relevant company's share of generating asset capacity based on its effective ownership percentages.
"**Net Capacity power**"	maximum electrical output that can be produced at reference site conditions, reflecting the Company's ownership percentage
"**New Ordinary Shares**"	the 3,554,347,956 ordinary shares of 50 pence each in the capital of International Power to be issued by International Power to the Sellers pursuant to the Merger Deed
"**Nomura**"	Nomura International plc
"**non-recourse debt**"	debt secured on an asset, and where the lender has no recourse to the shareholder
"**Notes**"	the €250,000,000 7.25 per cent. Senior Notes due 2017 issued by International Power Finance (2010) plc
"**Notice of General Meeting**"	the notice of the General Meeting which is set out on pages 333 and 334 of the Circular
"**OCGT**"	Open Cycle Gas Turbine
"**Official List**"	the official list of the UK Listing Authority
"**offtake agreement**"	PPA between a company owning a power station and its customer (the offtaker) whereby the customer takes the electricity generated by a power station
"**Ofgem**"	the Office of Gas and Electricity Markets in the United Kingdom

"**OFT**"	the UK Office of Fair Trading
"**Ordinary Shares**"	ordinary shares of 50 pence each in the capital of International Power or Enlarged International Power (as applicable) (and, for the avoidance of doubt, includes the Existing Ordinary Shares and/or the New Ordinary Shares as appropriate)
"**OTC**"	over-the-counter
"**Outage**"	when a generating unit is removed from service to perform maintenance work. This can either be planned or unplanned
"**Overseas Shareholders**"	holders of Ordinary Shares with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
"**Panel**"	the Panel on Takeovers and Mergers
"**Peak load**"	the maximum demand for electricity during a specified high-demand period. This may require use of plant (for example pumped storage) that is kept in reserve for peak periods
"**peaking plant**" or "**peaking facility**"	plant that runs only in times of short supply (normally during peak demand), when prices are high
"**PJM**"	a regional transmission organisation authorised by the U.S. federal government to manage the reliability of the electricity transmission system and the operation of the wholesale electricity market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia
"**Planned outage**"	a generating unit outage which is planned to occur in advance
"**Pounds**" or "**£**" or "**sterling**"	the lawful currency of the United Kingdom
"**Power Generation Plant**"	each of the International Power Group's, the GDF SUEZ Energy International Division's (and, following completion of the Combination, the Enlarged International Power Group's) power generation plants, including those they own through joint ventures and associates
"**Power Generation Portfolio**"	the Company's Power Generation Plants, taken as a whole
"**Power Purchase Agreement**" or "**PPA**"	generally a long-term contract between an electricity generator and a purchaser of energy or capacity (power or ancillary services)
"**Proposed Directors**"	Dirk Beeuwsaert, Guy Richelle, Gérard Mestrallet, Jean-François Cirelli, Gérard Lamarche, Bernard Attali, Sir Rob Young, Michael Zaoui
"**Proposed Senior Managers**"	Jan Flachet, Shankar Krishnamoorthy and Zin Smati, Penny Chalmers, Philip De Cnudde and François Graux
"**Prospectus**"	this document
"**Prospectus Rules**"	the rules for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market
"**PUHCA**"	the Public Utility Holding Company Act 2005
"**Pumped storage**"	a method of energy generation that involves moving water between reservoirs at different elevations. When electricity prices are low, typically overnight, electricity from the grid system is used to pump water into a raised reservoir and then at times of peak demand, when electricity prices are higher, the water is released back into the lower reservoir through a turbine
"**PURPA**"	the United States Public Utility Regulatory Policy Act 1978
"**PWPA**"	power and water purchase agreement

"**Recourse debt**"	debt where the lender has recourse to parties other than the borrower, usually a parent company or shareholder
"**Relationship Agreement**"	the relationship agreement dated 13 October 2010 between International Power, Electrabel and GDF SUEZ in relation to the Transaction as amended and restated, and as summarised in paragraph 16.1(b) of Part 12 (*Additional Information*) of this Prospectus
"**Relevant Event**"	has the meaning given to it in the terms and conditions of the Convertible Bonds
"**Resolutions**"	the resolutions proposed at the General Meeting as set out in the Circular and as detailed in paragraph 3.7 of Part 12 (*Additional Information*) of this Prospectus
"**Restated 2010 Condensed Interim Financial Information**"	the restated unaudited condensed interim financial statements of International Power, its subsidiaries and the proportionate share of its joint ventures for the six-month period ended and as at 30 June 2010 as set out in Section C of Part 7 (*International Power Financial Information*) of this Prospectus
"**Restated 2007 Consolidated Financial Information**"	the restated consolidated financial information of International Power, its subsidiaries and the proportionate share of its joint ventures for the year ended and as at 31 December 2007 as set out in Section B of Part 7 (*International Power Financial Information*) of this Prospectus
"**Restated 2008 Consolidated Financial Information**"	the restated consolidated financial information of International Power, its subsidiaries and the proportionate share of its joint ventures for the year ended and as at 31 December 2008 as set out in Section B of Part 7 (*International Power Financial Information*) of this Prospectus
"**Restated 2009 Consolidated Financial Information**"	the restated consolidated financial information of International Power, its subsidiaries and the proportionate share of its joint ventures for the year ended and as at 31 December 2009 as set out in Section B of Part 7 (*International Power Financial Information*) of this Prospectus
"**Restated Consolidated Financial Information**"	the Restated 2010 Condensed Interim Financial Information, the Restated 2007 Consolidated Financial Information, the Restated 2008 Consolidated Financial Information and the Restated 2009 Consolidated Financial Information
"**Restricted Jurisdiction**"	any jurisdiction where either sending this Prospectus or the issuing of Ordinary Shares would violate the law of that jurisdiction
"**Revolving Credit Facility**"	the US$780 million revolving credit facility between International Power and certain lenders with The Royal Bank of Scotland plc as agent of such lenders
"**Rothschild**"	Rothschild & CIE
"**RTO**"	regional transmission organisation
"**Rule 9**"	Rule 9 of the City Code
"**Rule 9 Waiver**"	the proposed waiver by the Panel of the obligation which would otherwise arise under Rule 9 of the City Code requiring Electrabel and/or GDF SUEZ to make an offer for the entire issued share capital of International Power as a result of the Combination as further detailed in the paragraph entitled "Rule 9 Whitewash" in Part 1 (*Information on the Combination*) of this document
"**SDRT**"	United Kingdom stamp duty reserve tax
"**SEC**"	The United States Securities and Exchange Commission
"**Sellers**"	Electrabel, Genfina SCRL and Sopranor S.A., each a subsidiary of GDF SUEZ

"**Senior Managers**"	the Proposed Senior Managers and Steve Riley, Ranald Spiers and Anthony Concannon
"**Senoko Power Station**"	means the 2,550MW (gross capacity) gas-fired power station known as "Senoko" situated in Singapore in which GDF SUEZ Energy International holds a 30 per cent. interest
"**Shareholder**"	holder of Ordinary Shares
"**SING**"	Chilean Northern Interconnected System
"**Singapore dollars**" or "**SGD**"	the lawful currency of the Republic of Singapore
"**Spark spread**"	the difference between the cost of gas to generate electricity and the price at which electricity is sold
"**Special Dividend**"	the special interim dividend of 92 pence per Ordinary Share intended to be paid, subject to Admission, following Closing to holders of such shares on the register of members of the Company at the close of business on the Special Dividend record date
"**Special Share**"	the special rights redeemable preference share with a nominal value of £1. This share could only be held by a Minister of the Crown or other person acting on behalf of HM Government, and did not carry any rights to vote at general meetings, but entitled the holder to attend and speak at such meetings. The Special Share, which was held by the Department of Trade and Industry, was redeemed at par on 18 August 2000
"**Sponsors**"	J.P. Morgan Cazenove, Morgan Stanley and Nomura
"**Spot price**"	market price at a particular point in time
"**Storage**"	a facility where natural gas may be stored in the summer when consumption is at its lowest and taken out of storage in winter when consumption is higher. Gas storage is an industrial facility, mainly underground, that enables natural gas suppliers to have a natural gas reserve
"**subsidiary**"	a subsidiary as that term is defined in the Companies Act 2006
"**subsidiary undertaking**"	a subsidiary undertaking as that term is defined in the Companies Act 2006
"**SUEZ**"	Suez S.A., with whom Gaz de France merged to form the GDF SUEZ Group in 2008
"**SUEZ-TRACTEBEL**"	SUEZ-TRACTEBEL *société anonyme/naamloze vennootschap*, incorporated under the laws of Belgium
"**t/h**"	tonnes per hour
"**TBLE**"	Tractebel Energie
"**TETAS**"	the electricity trading and contracting company owned by the Turkish state whose activities include conducting wholesale operations and maintaining energy sale and purchase agreements.
"**TFEU**"	treaty on the functioning of the European Union
"**Thai baht**" or "**THB**"	the lawful currency of the Kingdom of Thailand
"**Tolling agreement**"	a form of long-term electricity contract where the buyer of electricity also supplies the fuel
"**Transmission network**"	a group of structures, consisting of high-pressure pipes, that conveys natural gas to industrial consumers who are directly connected and to distribution networks
"**TW**"	terawatt (one thousand billion watts)
"**TWh**"	terawatt-hour (1 billion kilowatt-hours)
"**UK Listing Authority**"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA

"**uncertificated**" or "**in uncertificated form**"	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**Uncertficated Securities Regulations**"	the Uncertificated Securities Regulations 2001 SI 2001 No. 3755 of the United Kingdom as amended from time to time
"**United Kingdom**" or "**UK**"	United Kingdom of Great Britain and Northern Ireland
"**United States**" or "**US**" or "**U.S.**"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**US Securities Act**"	the United States Securities Act of 1933, as amended
"**US$**", "**US Dollars**" or "**$**"	the lawful currency of the United States
"**WAPDA**"	The Water and Power Development Authority of Pakistan
"**Watt**"	unit of power, which is the rate at which energy is delivered (i.e. work is done at a rate of one watt when one ampere flows through a potential difference of one volt)
"**Whitewash Resolution**"	the resolution of the International Power Shareholders proposed at the General Meeting for the purpose of securing the dispensation of the Panel from the application of Rule 9, being the resolution detailed in Part 1 (*Information on the Combination*) under Rule 9 Whitewash
"**Wider GDF SUEZ Group**"	GDF SUEZ and its subsidiaries and subsidiary undertakings, excluding, prior to Closing, the GDF SUEZ Energy International Group and excluding, on and from Closing, the Enlarged International Power Group