2008 CONSOLIDATED FINANCIAL STATEMENTS

REDISCOVERING ENERGY

CONTENTS

MANAGEMENT REPORT (1)

(1) Unless otherwise indicated, all data are based on the consolidated financial statements prepared in accordance with IFRS.

This report has been drawn up for financial years ended December 31, 2007 and 2008 as though the merger between Gaz de France and SUEZ had occurred on January 1, 2007 and January 1, 2008, respectively. Information concerning the consolidated income statement and cash flows is based on non-audited pro forma financial data. The pro forma information and its basis of preparation is presented in section 20.4 of the 2008 Reference Document.

The main reconciliations between pro forma financial data and data published in the consolidated financial statements are presented in section 4 of this management report.

The Group's performance continued on an upward trend in 2008, with EBITDA (up 10.7%) outpacing the Group's performance targets for the year. Growth in current operating income came in at 9.4%. These indicators registered even stronger gains on an organic basis, up 12.5% and 12.6%, respectively.

Pro forma net income Group share totaled €6,504 million. This strong achievement (including the impact of the remedies) reflects the Group's operating performance and also the large capital gains generated on sales carried out as required by the European Commission in connection with the merger.

Pro forma cash generated from operations before income tax and working capital requirements rose 6.7% year-on-year to €13,287 million, while net investments in 2008 totaled €11.8 billion. After a dividend payout of €5.1 billion and share buybacks for €1.7 billion, net debt at end-2008 came in at €28.9 billion, representing 46% of equity.

On account of the Group's sparkling performance and outlook going forward, on March 4, 2009 the Board of Directors decided to distribute a full-year dividend of €1.40 per share for 2008 (up 11.1% compared to 2007). An interim dividend of €0.80 was paid out of this amount on November 27, 2008. At the same meeting, the Board of Directors also has decided to distribute an exceptional dividend of €0.80 per share[(1)].

I.1 REVENUE AND EARNINGS TRENDS

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
Revenues	83,053	71,228	16.6%
EBITDA	13,886	12,539	10.7%
Depreciation and amortization of PPA (*)	(479)	(662)	
Depreciation, amortization and provisions	(4,406)	(3,695)	
Net expenses under concession contracts	(241)	(235)	
Share-based payment	(199)	(123)	
Current operating income	8,561	7,824	9.4%

(*) Purchase Price Allocation, measurement at fair value of Gaz de France assets and liabilities acquired as part of the merger (see section 20.4 of the Reference Document)

The Group enjoyed sustained growth in 2008, with revenues surging €11,825 million to €83,053 million, a rise of 16.6% or 17.5% on an organic basis compared with 2007. These results testify to the relevance and robustness of GDF SUEZ's business model. All business lines and geographical areas contributed to the growth momentum, which resulted mainly from:

- ongoing expansion in European and international gas and electricity markets;
- high, volatile market energy prices over the year;
- sustained commercial advances in energy services;
- continuing investments in infrastructures;
- business growth for SUEZ Environnement.

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Revenues advanced €11,825 million on a reported basis, reflecting:

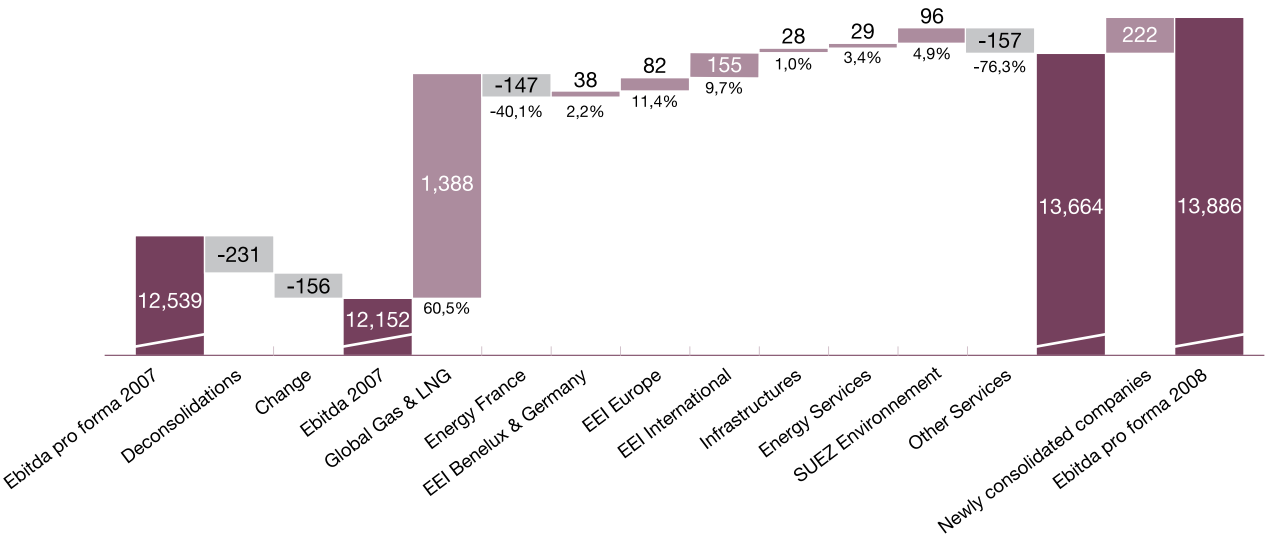
- organic growth of €12,074 million;
- a net positive impact of €747 million attributable to changes in Group scope of consolidation, including:
  - additions to the consolidated group (positive impact of €1,775 million), mainly in Energy Europe & International (€1,111 million, resulting from the acquisition of Teesside, the change in the accounting treatment for Italcogim Energie's commercial activities in Italy, and the acquisition of the Italian electricity trading company Elettrogreen), SUEZ Environnement (€337 million) and Energy Services (€319 million, following the acquisition of six 370 MW cogeneration plants in Italy),
  - departures from the consolidated group (negative impact of €1,027 million), concerning mainly SUEZ Environnement (€388 million, chiefly owing to the sale of Applus in 2007), Energy Europe & International (€377 million, due to the equity-accounting of Gasag as of January 1, 2008 and the sale of Calidda in Peru and Chehalis in the US), and Energy Services (€262 million on the sale of Cofathec ADF in France in 2008);
- exchange rate fluctuations (negative impact of €997 million including €364 million on the US dollar and €515 million on the pound sterling), mainly for Energy Europe & International (negative impact of €623 million) and SUEZ Environnement (negative impact of €254 million).

The Group generates 92% of its revenues in Europe and North America, including 86% in Europe.

All business lines yielded significant contributions to organic growth:

- Energy France (up 16.3%) benefited from higher energy prices and more favorable weather conditions than in 2007;
- Energy Europe & International (up 21.6%) received a boost from the rise in energy prices on its various markets, the Group's strong sales momentum across all areas targeted for international development, and the expansion of electricity production capacity;
- Global Gas & LNG (up 35.7%) was bolstered by the growth in output for Exploration & Production activities, robust LNG arbitrage trading, a rise in sales of natural gas and the soar in average hydrocarbon prices;
- Infrastructures (up 34.5%) saw sales on behalf of third parties expand amid more favorable weather conditions than in 2007;
- Energy Services (up 8.8%) capitalized on advances in all of its markets, particularly France, Italy and all Tractebel Engineering divisions;
- SUEZ Environnement (up 5.6%) delivered vigorous organic growth, in line with its 2008 guidance.

EBITDA jumped 10.7% to €13,886 million. Excluding the impact of changes in Group scope of consolidation and exchange rates, EBITDA advanced 12.5%.



Changes in Group scope of consolidation had a negative €9 million impact. Additions to the scope of consolidation during 2008 added €222 million to EBITDA, reflecting the first-time consolidation of Teesside in the UK and Ponte de Pedra in Brazil. Departures from the consolidated group represented €231 million and essentially concern the change of consolidation method for Gasag in 2008 (Benelux & Germany division) and the indemnities received in 2007 by Energy Services in relation to the Snöhvit contract.

Negative exchange rate impacts totaling €156 million are mainly attributable to the slide in the US dollar and the pound sterling.

Organic EBITDA growth came in at 12.5%, buoyed by high energy prices in 2008.

- Energy France (down 40.1%) benefited from favorable market prices for electricity production, but was hard hit by an inability to pass on in full natural gas supply costs to regulated rates in France;
- Energy Europe & International (up 6.8%) enjoyed benign market conditions, particularly in the International division where the LNG business in North America and the Electricity business in Brazil led the growth push. Energy Europe also benefited from the full-year impact of the electricity plants commissioned in Italy;
- Global Gas & LNG (up 60.5%) was the main beneficiary of the benign energy climate for its Exploration & Production and LNG activities. EBITDA for the business was boosted by higher production volumes recorded by the Exploration & Production activity and by stronger gas sales;
- The Infrastructures business line (up 1.0%) was boosted by rate increases in its Distribution and Storage activities, as well as by a rise in transmission and storage capacities sold and more favorable weather conditions. However, year-on-year figures were penalized by non-recurring items boosting results in 2007;
- Energy Services (up 3.4%) capitalized on business growth and ongoing operational gains in most business units;
- SUEZ Environnement (up 4.9%) posted advances in each of its activities. The International and Water Europe segments were the top performers, powered by positive price impacts and an increase in volumes. European waste services continued to deliver growth, but began to feel the pinch of the economic slowdown and the collapse in metals prices for recycling activities.

Current operating income climbed 9.4% to €8,561 million in 2008. Excluding changes in Group scope of consolidation and exchange rates, organic growth in current operating income was 12.6%, led mainly by operating items affecting EBITDA. The growth momentum was curbed slightly by the increase in net additions to depreciation, amortization and provisions linked to the commissioning of new facilities, a net increase in impairment losses taken on trade receivables, and an increase in expenses in connection with employee share awards. Growth in current operating income was also penalized by non-recurring items particularly the reversal of a provision recorded by Energy Europe & International in 2007.

I.2 BUSINESS TRENDS

I.2.1 ENERGY FRANCE

Financial indicators

(Pro forma data, in millions of euros)	2008	2007	% change (reported basis)
Revenues	14,457	12,368	16.9%
EBITDA (a)	246	368	-33.1%
Depreciation, amortization and provisions (b)	(153)	(170)	
Net expenses on stock options (c)	(1)		
CURRENT OPERATING INCOME = A + B + C	**92**	**198**	**-53.6%**

Volumes sold

In TWh	2008	2007	% change
Gas sales	294	289	+2%
Electricity sales	31.8	28.4	+12%

Climate correction – France

In TWh	2008	2007	% change
Climate correction volume (negative sign = warm climate, positive sign = cold climate)	+0.4	-14.2	14.6 TWh

Energy France delivered **revenues** of €14,457 million for 2008, up 16.9% on 2007.

Revenue growth based on average weather conditions for the period came in at 12%. The rise in energy prices, in line with the surge in procurement costs, accounts for three-quarters of this increase.

Advances in volumes sold, thanks to weather conditions close to the benchmark average in 2008, accounted for 20% of revenue growth for the business.

Other factors driving growth stem from changes in Group scope of consolidation to partner the Group's expansion into wind power and energy services for individual customers. Development in this last segment picked up pace in 2008, with GDF SUEZ having captured around 10% of the French market of home photovoltaic solutions.

Sales of natural gas totaled 294 TWh, a rise of 1.6% year-on-year. GDF SUEZ continues to hold around 95% of the retail customer market and around 85% of the business market. These markets were deregulated in 2007 and 2004, respectively.

Electricity sales climbed 12% to 32 TWh. Sales performance was varied depending on the customer segment concerned: sales to retail and wholesale markets rose, while sales to industrial customers declined amid difficult price conditions. Since the deregulation of retail markets, the Group has added almost 600,000 new customers to its portfolio, including 400,000 since end-2007. Electricity production edged up 6% on an annualized basis due to the combined impact of:

- an increase in output at hydraulic power plants and the DK6 combined cycle plant in Dunkerque;
- expansion in wind power production, on both an organic basis and through the consolidation of companies acquired in 2007 and 2008 (Compagnie du Vent, Eole Génération, Erelia, Great and Eolienne de la Haute-Lys).

EBITDA retreated €122 million due to insufficient rises in public gas distribution rates, prompting a €679 million increase in the revenue shortfall and bringing the cumulative total to €1,606 million at December 31, 2008. The failure to pass on the 8.6% rise in commodity prices at October 1, 2008 accounted for a significant portion of the €442 million shortfall reported in the last quarter.

The revenue shortfall was only partially offset by the results of the electricity business, and in particular hydraulic activities carried out by CNR, which received a strong boost from the rise in energy prices, and to a lesser extent, the growth in volumes sold. Hydro conditions were more favorable than in 2007.

Current operating income for Energy France was down €106 million on 2007. The fall in depreciation and amortization charged in 2008 relative to the allocation of the cost of the business combination (reflecting fewer economic benefits generated by public distribution activities) more than offset the rise in additions to depreciation and amortization (changes in Group structure and new plants commissioned) and provisions set aside in respect of gas and electricity customers.

New versions of “Symphonie”, the retail customer management software, were rolled out in 2008. The Symphonie upgrades helped improve the operation of customer applications and processes, and led to new offerings such as the energy-efficient DolceVita package (green electricity and carbon-offset natural gas) and new web functionalities such as electronic billing.

Price trends

Public distribution rates

The table below shows the average change in public distribution rates adopted in 2007 and 2008.

Year	Average level of rate change
2008	
January 1	€1.73 per MWh
April 30	€2.64 per MWh
August 15	€2.37 per MWh
October 1	- € per MWh

Public distribution rates did not change in 2007.

Subscription rates

Subscription rates are revised quarterly to account for any changes in the euro/dollar exchange rate and the price of a portfolio of oil products.

Year	Average level of rate change
2007	
January 1	- €2.85 per MWh
April 1	- €1.63 per MWh
July 1	€1.72 per MWh
October 1	€2.11 per MWh
2008	
January 1	€2.90 per MWh
April 1	€2.22 per MWh
July 1	€3.91 per MWh
October 1	€4.00 per MWh

I.2.2 ENERGY EUROPE & INTERNATIONAL

I.2.2.1 Key figures

	2008				2007				
Pro forma data, in millions of euros	Benelux & Germany	Europe	International	Total	Benelux & Germany	Europe	International	Total	% change (reported basis)
Revenues	14,156	8,749	7,623	30,528	11,907	6,609	6,682	25,198	21.2%
EBITDA (a)	1,752	844	1,799	4,395	1,796	709	1,673	4,178	5.2%
Depreciation, amortization and provisions (b)	(553)	(331)	(394)	(1,277)	(311)	(253)	(381)	(945)	
Net expenses on concessions/stock options (c)	(12)	(1)	(8)	(21)	(9)		(6)	(15)	
CURRENT OPERATING INCOME = A + B + C	**1,187**	**513**	**1,397**	**3,096**	**1,477**	**456**	**1,286**	**3,218**	**-3.8%**

I.2.2.2 Benelux & Germany division

Revenues for the Benelux & Germany division came in at €14,156 million in 2008, up 18.9% on a reported basis and 22.2% stripping out changes in exchange rates and Group structure.

The negative €317 million impact of changes in Group structure results from the change in consolidation method for Gasag, a gas distribution subsidiary in Germany. Gasag was proportionately consolidated in previous years, but has been accounted for by the equity method since January 1, 2008.

Electricity sales in Benelux and Germany totaled €9,632 million in 2008, versus €8,109 million for the year-earlier period, representing a surge of 18.8% on an organic basis.

In Belgium and Luxembourg (Belux), electricity sales advanced 16.9% year-on-year, owing to changes in electricity market prices powered by the rise in the price of fossil fuels. Selling prices in Belgium also reflect the rise in transmission and distribution rates.

Volumes sold to the Belux region dropped 4% (74.1 TWh in 2008 versus 77.2 TWh in 2007), squeezed by the fall in sales to distributors in Belgium and the impacts of the economic slowdown in the last quarter of 2008.

Sales of electricity in the Netherlands and Germany advanced 21.3% on 2007, boosted by price increases as well as the rise in volumes sold, particularly in the Netherlands (up 4.8% to 23.3 TWh in 2008).

Gas sales brought in €3,414 million in 2008 versus €2,764 million a year earlier. This represents organic growth of 23.5%, powered mainly by the rise in gas prices and more favorable weather conditions than in 2007. Volumes sold nevertheless retreated 1.6 TWh or 2.1% for the region as a whole, chiefly sales to industrial customers in the Netherlands, while volumes sold in Belgium and Germany were up over the year-earlier period.

EBITDA for the division came in at €1,752 million, a rise of 2.2% on an organic basis compared with 2007. On a reported basis, EBITDA edged back 2.5% compared with 2007, with year-on-year figures dented by the change in the consolidation method for Gasag.

Capacity availability at power plants declined year-on-year owing to a more extensive stoppages program than in 2007 as well as a greater number of unplanned stoppages. This prompted a fall of 5 TWh in production.

Thanks to Electabel's hedging policy covering trailing three-year periods and the gradual transfer of market prices onto average prices, electricity rates continued on their upward spiral in 2008.

However, margin growth was held back by the rise in the price of fossil fuel and CO2 certificates for coal and gas facilities.

Current operating income for the Benelux & Germany division shed 15.8% on an organic basis, down to €1,187 million. Performance in 2008 was penalized by a write-back of Electrabel's nuclear waste processing provision in 2007 resulting from the review it carried out in light of the Monitoring Committee's decision of March 2007. The next review of the assumptions used to calculate provisions for nuclear waste reprocessing and decommissioning liabilities is scheduled for 2010. Current operating income was also hit by a rise in provisions for trade receivables compared with 2007, and an increase in depreciations on production facilities.

I.2.2.3 Europe division

This division delivered **2008 revenues** of €8,749 million, up 32.4% on a reported basis compared with 2007.

The revenue surge reflects the impact of changes in Group scope of consolidation, with the acquisition of Teesside, a combined cycle gas turbine plant in the UK and Elettrogreen, engaged in the sale and optimization of energy in Italy. It also reflects the increase in the Group's stake in Italcogim Energie, which was fully consolidated as from the last quarter of 2007.

The division's vigorous 23.8% organic revenue growth momentum was powered by:

- a rise in market prices across the region, partly countered by a failure to fully pass on gas supply costs in countries imposing regulated rates;
- additional electricity production capacity in Italy, with 800 MW having come on stream in 2007;
- significant 3.2 TWh growth in electricity generation in Spain, buoyed by weather, hydraulic and market conditions that were favorable to the Group.

EBITDA for the division came in at €844 million in 2008, up 19.1% on a reported basis. Organic EBITDA growth was 11.4%, boosted by the positive impacts described below.

- Italian subsidiaries were the largest contributors to the division's organic growth gains, and benefited from the full-year impact on electricity businesses of plants commissioned, as well as good performances on the ancillary services market. To a lesser extent, growth was also bolstered by a more benign pricing environment than in 2007.
- In Spain, favorable weather conditions prompted capacity increases at power plants. However, these were offset by higher CO2 costs in 2008.
- In Eastern Europe, EBITDA dipped slightly, with the favorable pricing environment for electricity in Poland offset by a drop in CO2 sales. Gas sales were held back – notably in Romania and Slovakia – by tight pricing conditions and a failure to fully pass on gas supply costs to selling prices.

Current operating income for the division after depreciation and amortization charged relative to the allocation of the cost of the business combination totaled €513 million, up €38 million or 8.1% on an organic basis. These operating results were boosted by the factors driving EBITDA growth, offset by the revision of the useful life of SPP's assets in 2007 and the full-year impact of new plants commissioned in Italy.

I.2.2.4 International division

Revenues for the International division totaled €7,623 million in 2008, up 14.1% over 2007 on a reported basis and 18.4% stripping out changes in exchange rates and Group structure.

This performance draws on the Group's strong commercial momentum in all of its developing international markets, amid a spike in energy demand and rising prices.

The division's organic growth stems more specifically from:

- North America (up €638 million), essentially due to the rise in direct energy sales to industrial and business customers (up €319 million), sales to the wholesale market (up €125 million) reflecting mainly higher prices, and the growth in LNG activities boosted by a strong price impact (up €85 million);
- Asia and the Middle East (up €183 million), spurred by improved sales in Turkey (up €111 million), price increases in Thailand (up €36 million) and the Group's expanding presence in the Gulf region, with the first full-year contribution of the Sohar plant in 2008;
- Latin America (up €329 million). The rise in electricity sales in Brazil (up €88 million) was powered by price increases on bilateral contracts and a rise in sales on the spot market, where Tractebel Energia benefited from its guaranteed energy allocation strategy and particularly steep prices in the first quarter. Sales gains in Peru (up €95 million) and Chile (up €132 million) mainly reflect positive price impacts, while sales in Panama (up €13 million) were boosted by the commissioning of additional capacity (Balboa plant in August 2008).

Excluding the negative €68 million exchange rate impact (chiefly on the US dollar) and the positive €38 million impact of changes in Group structure (related mainly to the acquisitions of Ponte de Pedra in Brazil and Senoko in Singapore), **EBITDA** climbed €155 million, or 9.7% on an organic basis:

- Latin America turned in the best organic growth performance (up 14.7%), on the back of robust advances in Electricity activities in Brazil (up 12.7%) which were able to benefit from steep spot market prices in the first quarter on account of the guaranteed energy allocation strategy. Electricity activities in Peru reported strong gains (up 26.4%), thanks mainly to the commissioning of the OCP2 plant in July 2007 (174 MW). Electricity activities in Chile posted stellar 80% growth, driven by a hike in electricity selling prices on the market.
- North America delivered 11.6% organic growth, led by GDF SUEZ LNG North America (up 47.7%) and a rise in margins after hedging.

- EBITDA for Asia and the Middle East region shed 5.5% on an organic basis, due mainly to a 21.7% decline in Thailand which was affected by a rise in fuel prices not fully passed on to rates.

Current operating income for the International division came in at €1,397 million, up 8.6% on a reported basis. Stripping out the negative €30 million impact of changes in exchange rates and Group structure, organic growth came in at €141 million, or 11.4%, buoyed by the sharp rise in EBITDA.I.2.3 Global Gas & LNG

I.2.3 GLOBAL GAS & LNG

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
Business line revenues	22,394	17,284	29.6%
Revenue contribution to Group	10,827	8,096	33.7%
EBITDA (a)	3,715	2,344	58.4%
Depreciation, amortization and provisions (b)	(1,363)	(1,155)	
CURRENT OPERATING INCOME = A + B	**2,352**	**1,189**	**97.7%**

Global Gas & LNG delivered **revenues** of €10,827 million for 2008, up 33.7% on a reported basis compared with 2007.

Total revenues for the Global Gas & LNG business line, including intragroup services, came in 29.6% higher year-on-year, at €22,394 million.

The contribution from Exploration & Production activities was €1,875 million, up 43% on an organic basis and 58% over the first nine months of the year. This chiefly reflects the upward spiral in average hydrocarbon prices up to the end of summer 2008:

- average Brent crude prices (€/boe) rose 23% over the year, versus 46% over the first nine months;
- average natural gas prices jumped 81% on the NBP (€/MWh) over the year, versus 106% over the first nine months.

The revenue performance was also driven by a 20% rise in production year-on-year, up to 51 MMboe, essentially linked to the commissioning of new assets in the Netherlands and Norway.

Revenues for the business line's other entities(1)[1] also improved, in step with:

- a spike in the price of hydrocarbons up to the end of summer 2008;
- vigorous LNG arbitrage trading over the year (48 cargoes for 38 TWh in 2008 versus 40 cargoes for 31 TWh in 2007), even though trading slowed significantly in the fourth quarter (5 cargoes versus 11 in fourth-quarter 2007);
- growth in sales of natural gas:
  - in France, key account sales (excluding sales to municipal distribution companies)(2)[2], climbed 9 TWh to 87 TWh,
  - in Europe, key account sales moved up 8 TWh to 82 TWh,
  - short-term and other sales (including sales to municipal distribution companies) advanced 8 TWh to 134 TWh.

EBITDA hit a new record high of €3,715 million, representing organic growth of 60.5% (excluding the negative €18 million impact of changes in exchange rates and Group structure). This sparkling performance is partly attributable to higher hydrocarbon prices but also to growth in gas production and sales.

- Exploration & Production reported 71.8% organic growth, outperforming growth for the business line as a whole. This was driven by a hike in gas and Brent crude prices and a gross 20% increase in production to 51 MMboe(3)[3] thanks to new oil fields commissioned in Norway and the Netherlands.
- Other Global Gas & LNG entities contributed to this bumper performance, posting strong 51.3% organic growth powered by favorable market conditions in Asia – enabling the business to capitalize on the LNG portfolio – and a 11% rise in key account sales.

Current operating income after depreciation and amortization charged relative to the allocation of the cost of the business combination surged 97.7% to €2,352 million on a reported basis. Organic growth in this indicator was €1,193 million, or 103.7% (excluding the negative €31 million impact of changes in exchange rates and Group structure), in line with the performance of EBITDA.

(1) Supply, LNG, key account sales and trading.

(2) Sales to municipal distribution companies in France totaled 8.6 TWh in 2008, compared with 7.8 TWh for the prior-year period.

(3) Million barrels of oil equivalent.

I.2.4 INFRASTRUCTURES

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
Business line revenues	5,498	5,142	6.9%
REVENUE CONTRIBUTION TO GROUP	**896**	**650**	**37.8%**
EBITDA (A)	**2,878**	**2,847**	**1.1%**
Depreciation, amortization and provisions (b)	(987)	(999)	
CURRENT OPERATING INCOME = A + B	1,891	1,848	2.3%

Total revenues for the Infrastructures business line, including intragroup services, came in 6.9% higher year-on-year, at €5,498 million on a pro forma basis.

The contribution of the business line to Group revenues was €896 million, up 37.8% on 2007.

This larger contribution is related mainly to the expansion in volumes transported by GrDF on behalf of third parties. Volumes increased 9.4 TWh year-on-year to 28.8 TWh, boosted by a return to average weather conditions.

Revenue growth was also powered by:

- the introduction of a new rate for accessing distribution infrastructure on July 1, 2008, increased by 5.6%;
- the rise in storage capacity subscribed by third parties (up 3.9 TWh) and in the average price of usable volumes as of April 1, 2008 (up 2.8%);
- the rise in reserved capacity on the transmission network in France, and the increase in the number of combined cycle gas turbine plants connected;
- the inclusion of German storage activities in the consolidated group.

EBITDA for the Infrastructures business line inched up 1.1% year-on-year, to €2,878 million.

Growth in EBITDA underperformed revenue growth mainly as a result of:

- higher charges: energy costs grew €58 million on the back of a price impact; IT costs were up €20 million owing to the roll-out of new applications at GrDF inherent to the separation of its businesses; and spending on industrial safety and the promotion of the image of natural gas rose €20 million;
- significant non-recurring items which boosted 2007 comparative figures, for example a €53 million inventory surplus.

Recurring growth reflects a return to average weather conditions after particularly warm temperatures in 2007, price increases in distribution and storage, and additional transmission and storage capacity sold in respect of regulated rights.

Major events affecting the Infrastructures business line in 2008 were:

- the creation of LNG Terminals (Elengy) and Storage (Storengy) subsidiaries in France;
- delays in the Fos Cavaou LNG terminal, compounded by piping problems in February, which led to the terminal's scheduled commissioning date being pushed back to June 2009;
- start of work under the first phase of the gas storage project at the Stublach salt mine in the UK;
- acquisition by GRTgaz of an interest in Powernext and start-up of the natural gas exchange at the end of November.

Current operating income for the Infrastructures business line after depreciation and amortization charged relative to the allocation of the cost of the business combination totaled €1,891 million in 2008, up 2.3% on 2007 (pro forma).

I.2.5 ENERGY SERVICES

Pro forma data, in millions of euros	2008	2007	% change (reported basis)	Change (excluding Snohvit claim)
Revenues	13,993	12,893	8.5%	9.3%
EBITDA (A)	**904**	**946**	**-4.4%**	**5.9%**
Depreciation, amortization and provisions (b)	(272)	(283)		
Net expenses on concessions/stock options (c)	(46)	(39)		
CURRENT OPERATING INCOME = A + B + C	586	624	-6.0%	8.7%

Energy Services **delivered revenues** of €13,993 million for 2008, up 8.8% year-on-year on an organic basis.

In France, service activities (Elyo France and Cofathec Services) advanced €421 million (14.1%) on an organic basis. The increase reflects commercial development, more favorable weather conditions, and the rise in energy prices. All entities (Ineo, Endel, Axima, Seitha) reported vigorous expansion in installation and maintenance activities, with growth coming in at 4.9%. However, the slowdown in certain segments began to put the brakes on growth in the final quarter of 2008.

In Belgium, the installation and services activities reported a 7.1% advance.

The **Netherlands** enjoyed a strong order book and posted growth of €124 million, or 10.5%.

All **Tractebel Engineering** divisions (Nuclear, Energy, Infrastructures and International) reported double-digit organic growth. Overall organic growth for these activities came in at 18.9%.

Excluding France and Benelux, organic revenue growth was €128 million, or 8.8% in Southern Europe, led mainly by the Italian market. This was despite a drop in orders in Spain triggered by the property slump. Revenue growth in Northern European countries was 5.2%, buoyed by the development in Germany and the United Kingdom.

EBITDA came in at €904 million. Year-on-year comparisons are distorted by the €92 million claim related to the Snöhvit contract in 2007. Adjusted for Snöhvit, revenues climbed 3.4% on an organic basis, reflecting the growth in business and further operational improvements across most business units. Non-recurring items in 2007 are also the reason why EBITDA growth underperformed revenue growth (see paragraph below regarding Electricity and Gas subsidiaries).

Service activities in France benefited from favorable price impacts and harsher weather conditions, while the increase in volumes boosted results for installation activities.

Thanks to its optimized structure, the Netherlands delivered organic growth in excess of 60%, with profitability levels nearing the standards of the profession.

Tractebel Engineering also reported vigorous 44% growth, fuelled by a high-quality order book and margin gains.

In Italy, inclement winter weather helped offset the decline in the pricing environment for utilities' cogeneration plants at the end of the year. The International South business unit reported organic growth of more than 6%.

Adjusted for non-recurring items relating to Société Monégasque d'Électricité et de Gaz pensions in 2007, organic growth for Electricity and Gas subsidiaries came in at 1.1% thanks to favorable price impacts, in particular the rise in Electricité de Tahiti rates over a six-month period.

Current operating income for the business line came in at €586 million versus €624 million in 2007 (which included €84 million in connection with the Snöhvit contract). Organic growth adjusted for this amount came in at 6.9%, outperforming the advance in EBITDA due notably to the reversal in 2008 of the remaining provisions for warranties relating to Snöhvit as well as higher risk provisions booked in 2007.

I.2.6 SUEZ ENVIRONNEMENT

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
REVENUES	12,352	12,022	2.7%
EBITDA (A)	2,102	2,061	2.0%
Depreciation, amortization and provisions (b)	(776)	(755)	
Net expenses on concessions/stock options (c)	(242)	(229)	
CURRENT OPERATING INCOME = A + B + C	1,084	1,077	0.6%

SUEZ Environnement delivered €12,352 million[1] in **revenues**, up 2.7% on a reported basis and 5.4%excluding Applus. Negative exchange rate impacts totaling €254 million, recorded mainly on the pound sterling and the US and Australian dollars, represented 2.2% of the growth figure.

Organic revenue growth came in at €633 million, or 5.6% for 2008, stemming essentially from three business segments:

- The Water Europe segment (up €300 million) enjoyed robust revenue growth bolstered by positive price impacts and the development of new services despite falling water consumption in Europe.
- The Waste Europe segment (up €151 million) reported a rise in sorting and recycling activities in France and the UK, and in incineration activities in Belgium. However, the economic slowdown in the fourth quarter affected all activities dealing with industrial and business customers, while the recycling business had to contend with a significant drop in prices and volumes.
- The International segment advanced (up €177 million) thanks to engineering activities (Degrémont) and healthy performances from water services in Asia and waste services in Central Europe.

SUEZ Environnement delivered organic **EBITDA** growth of €96 million, or 4.9%, resulting from:

- the Water Europe segment (up 6.2%), where Agbar benefited from favorable price impacts in Spain and Chile, but faced a slight contraction in water volumes sold and a small rise in healthcare claims. In France, the drop in volumes delivered was offset by favorable price trends, while Germany reported commercial gains;
- the Waste Europe segment (up 1.0%), which posted a more modest rise on the back of the economic slowdown. This led to a decline in volumes collected from industrial customers in Benelux and in landfill volumes in the UK. Commodity prices for the recycling business also tumbled in the UK, France and Benelux. Strong momentum in the waste treatment sector, mainly in France and Belgium, helped counter this subdued performance;
- the International segment (up 14.1%), which benefited from the full impact of rate cases obtained in the regulated sector in North America in 2007, strong momentum for waste services in Central Europe, the development of water activities in China, favorable electricity price trends in the Maghreb and Asia, and good progress on outstanding contracts at Degrémont;
- a slight contraction in the Other Services segment, which recorded a €10 million decline in organic revenues during the period mainly as a result of efforts to bolster the corporate structure of SUEZ Environnement in view of its new obligations as a listed entity.

Current operating income as reported by SUEZ Environnement advanced 3.2% to €1,084 million in 2008 (excluding the impact of the disposal in November 2007 of Applus, which contributed €27 million to current operating income for that year) and €39 million, or 3.9% on an organic basis. The increase in current operating income was essentially driven by EBITDA gains.

(1) Based on the contribution to GDF SUEZ (taking into account transactions with other Group companies).

I.2.7 OTHER SERVICES

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
EBITDA (a)	(354)	(206)	-72.0%
Depreciation, amortization and provisions (b)	(56)	(50)	
Net expenses on stock options (c)	(130)	(73)	
CURRENT OPERATING INCOME = A + B + C	(539)	(329)	-63.9%

In 2008, **EBITDA** reported by the Other Services segment was affected by non-recurring personnel costs stemming from the settlement of a dispute with the payroll tax authorities regarding benefits in kind in the form of reduced energy prices. A provision had been booked for the full amount of this liability, which therefore has no impact on **current operating income**. EBITDA was also squeezed by increased communication spending and the cost of the bonus share and stock option awards set up by the Group in 2007 and 2008.

I.3 OTHER INCOME STATEMENT ITEMS

Pro forma data, in millions of euros	2008	2007	% change (reported basis)
Current operating income	8,561	7,824	9.4%
Mark-to-market on commodity contracts other than trading instruments	555	29	
Impairment of assets	(811)	(123)	
Restructuring costs	(187)	(24)	
Disposals of assets, net	84	415	
Income from operating activities	8,204	8,121	1.0%
Net financial loss	(1,611)	(903)	
Income tax expense	(1,765)	(1,331)	
Share in net income of associates	447	646	
NET INCOME BEFORE IMPACT OF REMEDIES	**5,275**	**6,534**	**-19.3%**
Remedies	2,141	301	
NET INCOME	**7,415**	**6,835**	**8.5%**
Minority interests	911	1,080	
NET INCOME GROUP SHARE	**6,504**	**5,755**	**13.0%**

Income from operating activities edged up 1.0% year-on-year to €8,204 million, despite the negative non-recurring impacts recorded in 2008, partially offset by the positive impact of mark-to-market.

Changes in the fair value of commodity derivatives recognized in accordance with IAS 32/39 had a positive €555 million impact on income from operating activities, compared with a positive impact of €29 million in 2007.

Income from operating activities was affected by impairment losses taken against assets for € 811 million (€123 million in 2007) in order to reflect the mark-to-market of non-consolidated, listed investments, and by restructuring costs of €187 million chiefly concerning the reorganization of the Group's sites in the greater Paris region.

Disposal gains fell to €84 million in 2008, and mainly reflect the sale of the Chehalis power plant in the US. Disposal gains in 2007 primarily included Electrabel's sale of a portion of its interests in the Brussels and Walloon inter-municipal companies, Agbar's sale of Applus, and the disposal of various non-strategic listed investments.

Net financial loss for the year totaled €1,611 million in 2008 compared with €903 million in 2007, reflecting:

- a rise in the cost of net debt, up to €1,476 million in 2008 compared with €882 million one year earlier. This €594 million rise reflects a volume effect and interest rate impact of €361 million, as well as the impact of exchange rate fluctuations and hedging derivatives totaling €233 million;
- the €135 million decrease in the contribution from other financial income and expenses.

The **effective tax rate** raised up to 26.8% (versus 18.4% in 2007), due to the tax on nuclear activities payable by Electrabel in 2008 for €222 million, growth in Exploration & Production activities in Norway and the lack of tax savings arising on the bulk of the asset write-downs described above. Financial synergies during the year resulting from the merger (i.e., the utilization of tax loss carry-forwards from the SUEZ SA tax consolidation group) were broadly on a par with the deferred tax asset recognized in 2007 for €500 million.

Share in net income of associates fell €199 million compared with 2007, owing mainly to a €190 million fall in contributions from inter-municipal companies, which had benefited from non-recurring items in 2007, and particularly the gain on the disposal of TVD operations in the Walloon region.

The **Remedies** line presents the contributions to 2007 and 2008 income of the entities sold in connection with the Group's commitments to the European Commission as part of the merger. In 2008, this item also includes the capital gains recorded on the sale of these equity investments in an amount of €1,901 million.

Minority interests contracted by €169 million, due mainly to the public tender offer for Agbar shares which accounted for a decrease of €102 million.

I.4 RECONCILIATION WITH CONSOLIDATED INCOME STATEMENT FIGURES

In million of euros	2008 pro forma	2008 consolidated	Difference
Revenues	83,053	67,924	15,129
EBITDA	13,886	10,053	3,832
CURRENT OPERATING INCOME	**8,561**	**6,224**	**2,338**

Consolidated **revenues** for 2008 totaled €67,924 million. The difference with regard to pro forma revenues results chiefly from the revenues generated by Gaz de France prior to the merger (€17,844 million), less the contribution from entities sold in connection with the remedies (€2,395 million).

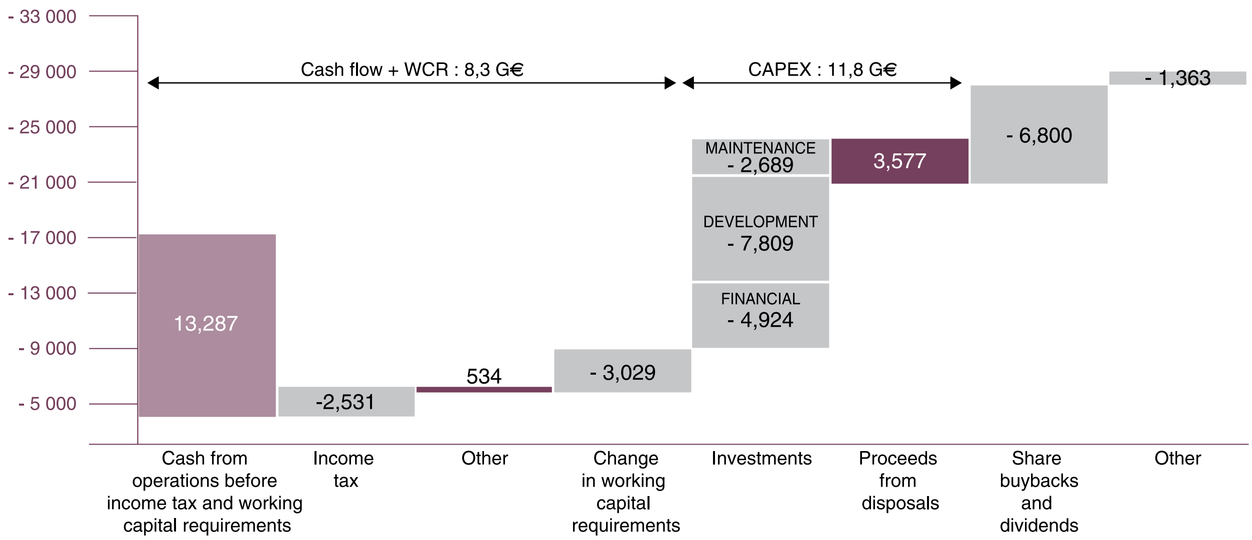
Pro forma **EBITDA** also includes €3,888 million in EBITDA reported by Gaz de France prior to July 22, 2008, which explains the bulk of the difference with EBITDA reported in the consolidated financial statements.

The difference between consolidated **current operating income** and the pro forma figure essentially reflects current operating income reported by Gaz de France prior to the merger (€3,019 million), less depreciation and amortization charged during the period against the fair value of assets and liabilities acquired in the merger (€289 million) and the contribution from entities sold in connection with the remedies (€415 million).

A full reconciliation between the consolidated income statements and pro forma data is presented in the »Pro Forma Financial Information» section of the Reference Document.

I.5 CHANGES IN NET DEBT

Pro forma net debt, excluding net cash held by Fluxys and Distrigas, amounted to €17.2 billion at end-2007, compared with €28.9 million at December 31, 2008. The year-on-year change in net debt is described below.



I.5.1 CASH GENERATED FROM OPERATIONS BEFORE INCOME TAX

Cash generated from operations came in at €13,287 million for 2008, a rise of 6.7% on a reported basis compared with 2007. Growth in this item underperformed EBITDA (up 10.7%) as it includes a rise in impairment losses taken against trade receivables and cash outflows relating to restructuring measures, partially offset by a rise in dividends received from associates.

Income tax expense of €2,531 million includes prepaid tax disbursed by Gaz de France SA prior to the merger, which is expected to be reimbursed to the new Group in 2009.

I.5.2 CHANGE IN WORKING CAPITAL REQUIREMENTS

The €3,029 million rise in working capital requirements includes almost €700 million resulting from margin calls on capital market transactions, with sharp fluctuations in commodity prices triggering a steep rise in volatility.

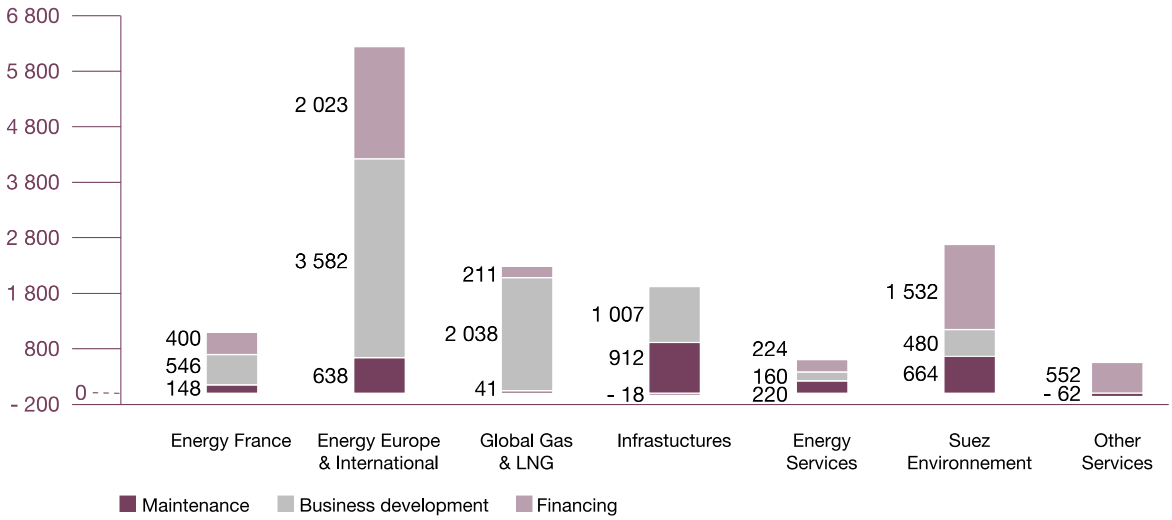
The rest of the increase in working capital requirements is largely attributable to the Global Gas & LNG business line and the Benelux & Germany division. Trade receivables rose in all companies selling energy and maintaining gas stockpiles. This reflects higher energy prices, as well as an increase in the volume of business. At December 31, 2007, trade payables included non-recurring items (particularly in the Energy Europe and Energy International business lines) settled in 2008, which stemmed the rise in this caption over 2008.

I.5.3 NET INVESTMENTS

Net investments in 2008 totaled €11.8 billion and include:

- financial investments for €4.9 billion, including €0.7 billion relating to the acquisition of FirstLight, €0.7 billion relating to the increase of the stake in Agbar[1], €0.5 billion for Senoko, €0.3 billion for SET, €0.2 billion for Nogat and €0.2 billion for Teesside;
- maintenance expenditure totaling €2.7 billion and business development expenditure of €7.8 billion.

Capital expenditures break down as follows by business line:



Disposals in 2008 represent €3,577 million and essentially comprise the proceeds from divestments carried out as part of the merger remedies (€2,993 million) as well as the sale of the Chehalis power plant.

I.5.4 SHARE BUYBACKS AND DIVIDENDS

Total payments to shareholders during the year amounted to €6.8 billion, of which €1.7 billion under the share buyback program and €5.1 billion in dividends. Dividends include those paid by SUEZ SA to its shareholders (€1.7 billion, versus €1.5 billion in 2007, reflecting the increase in the dividend paid per share as well as the number of shares carrying dividend rights), dividends paid by Gaz de France SA for €1.2 billion, and the interim dividend paid to the shareholders of the merged group in an amount of €1.7 billion. The caption also includes €0.5 billion in dividends paid by various subsidiaries to minority interests.

(1) In light of the binding commitment granted to Agbar minority shareholders within the scope of the public tender offer outstanding at the end of 2007, the corresponding debt had been included in the balance sheet for the Group's share in the offer.

I.5.5 NET DEBT AT DECEMBER 31, 2008

Net debt at December 31, 2008 moved up to €28.9 billion versus €17.2 billion at end-2007 (pro forma based on the inclusion of Fluxys using the equity method and the deconsolidation of Distrigas), while the gearing ratio came out at 46%.

Including the impact of financial instruments, 63% of net debt is denominated in euros, 23% in US dollars, and 1% in pounds sterling.

Including the impact of financial instruments, 55% of net debt is at fixed rates.

The average maturity of net debt is 6.6 years.

At December 31, 2008, the Group had undrawn confirmed credit facilities and commercial paper back-up lines totaling €11.3 billion. Including the bond issues carried out in January and February 2009, this amount rises to €17.4 billion.

I.6 OTHER BALANCE SHEET ITEMS

The following table presents the consolidated balance sheet of SUEZ at December 31, 2007 and the consolidated balance sheet of GDF SUEZ at December 31, 2008. It reflects the impacts of the consolidation of Gaz de France on the main balance sheet captions.

● ASSETS

				of which		
In billions of euros	**GDF SUEZ Dec. 31, 2008**	**SUEZ Dec. 31, 2007**	**Difference**	*Gaz de France opening balance sheet*	*Allocation*	*Net change 2008*
Non-current assets	115.2	51.4	63.8	31.3	27.5	5.0
o/w goodwill	27.5	14.9	12.6	1.8	9.6	1.2
Current assets	52.0	27.7	24.3	19.4	0.2	4.7
o/w cash and cash equivalents	9.0	6.7	2.3	2.9		-0.6
TOTAL ASSETS	**167.2**	**79.1**	**88.1**	**50.7**	**27.7**	**9.6**

● EQUITY AND LIABILITIES

				of which		
In billions of euros	**GDF SUEZ Dec. 31, 2008**	**SUEZ Dec. 31, 2007**	**Difference**	*Gaz de France opening balance sheet*	*Allocation*	*Net change 2008*
Shareholders' equity	57.7	22.2	35.6	17.5	22.7	-4.6
Minority interests	5.1	2.7	2.4	0.6	0.0	1.8
TOTAL EQUITY	**62.8**	**24.9**	**38.0**	**18.1**	**22.7**	**-2.8**
Provisions	14.8	9.6	5.2	7.6	(2.7)	0.3
Borrowings	38.8	21.7	17.2	6.3	0.0	10.9
Other liabilities	50.8	23.1	27.7	18.7	7.7	1.3
TOTAL EQUITY AND LIABILITIES	**167.2**	**79.1**	**88.1**	**50.7**	**27.7**	**9.6**

The following comments relate to the "Net change" column of the table above, while the "Opening balance sheet" and "Allocation" columns concern the first-time consolidation of Gaz de France and its subsidiaries.

Non-current assets advanced, led mainly by property, plant and equipment and intangible assets, net (up €6.1 billion), while available-for-sale securities fell €0.8 billion, chiefly as a result of fair value adjustments.

The €1.2 billion increase in goodwill chiefly stems from the acquisition of FirstLight (€0.7 billion) and Senoko (€0.3 billion) in the Energy Europe & International business line.

Current assets increased €4.7 billion, fuelled by the rise in trade receivables (up €3.3 billion) and derivative instruments (up €1.3 billion). These changes reflect the rise in commodity and energy prices.

Total equity at December 31, 2008 stood at €62.8 billion. In addition to the impact of the merger, total equity includes €5.5 billion in net income for the year, which more than offset the payment of dividends in an amount of €3.9 billion, net movements on treasury stock for a negative €0.7 billion, the impact of the remedies for a negative €0.8 billion, and the negative €3.2 billion impact of items dealt with directly through equity relating to the mark-to-market of available-for-sale securities and changes in the fair value of commodity derivatives.

Provisions edged up €0.3 billion to €14.8 billion. Additions to provisions for the period (€1.3 billion, including €0.5 billion relating to the unwinding of discounting adjustments) were broadly in line with amounts written back over the period.

I.7 PARENT COMPANY FINANCIAL STATEMENTS

The figures provided hereafter relate to the financial statements of GDF SUEZ SA, prepared in accordance with French GAAP and applicable regulations.

Revenues for GDF SUEZ SA totaled €25,209 million in 2008, up 20% on 2007 due to more favorable weather conditions and a rise in energy selling prices.

Operating income for the year amounted to €316 million, down 56% on the comparable year-earlier figure (adjusted for the impact of the creation of GrDF, Storengy and Elengy), mainly due to insufficient increases in public gas distribution rates and the resulting revenue shortfall in the second half of 2008 (see above).

Net financial income came in at €1,939 million, and includes mainly dividends received from subsidiaries (€1,859 million). As of December 31, 2008, net debt stood at €14,050 million.

The Company posted a net exceptional loss of €105 million, reflecting additions to provisions, notably for securities, partly offset by a reversal of the provision for accelerated tax depreciation linked to the creation of underground storage and LNG terminal subsidiaries, as well as the additional purchase consideration paid during the year by Electrabel in respect to the 2007 acquisition of shares held by the former SUEZ entity in SUEZ-Tractebel.

Income tax includes tax consolidation gains reflecting the utilization of a portion of the tax loss carryforwards transferred to GDF SUEZ SA within the scope of the merger.

Net income came in at €2,767 million.

Equity amounted to €52,043 million at year-end, compared with €24,136 million at end-2007. The sharp rise in equity reflects the impacts of the merger and net income for the year, partially offset by the payment of Gaz de France dividends in 2007 and the interim dividend paid in 2008 by GDF SUEZ.

I.8 OUTLOOK FOR 2009

The development of GDF SUEZ is based on a vigorous, balanced, and value creating growth model. GDF SUEZ has strong assets to weather the economic and financial crises ahead while remaining confident about its ability to deliver its long-term objectives for growth – leadership positions in both electricity and natural gas, diversified and complementary businesses, and a capacity for dynamic, profitable development in promising energy and environment markets. This long-term vision remains in place despite the deteriorating economic situation.

While maintaining its strict profitability criteria for new business, the Group acted immediately to strengthen liquidity and its balance sheet through following measures:

- accelerating implementation to the EUR 1.8 billion 2011 performance plan (EUR 650 million contribution by the end of 2009, compared with EUR 500 million announced last November) ;
- enhancing liquidity and extending the debt maturity through placements, since October 2008, of nearly EUR 10 billion of bonds in various markets ;
- terminating the program of additional share buybacks announced in September 2008, which had been 43% completed.

The Group has set a 2011 EBITDA target that its realistic and consistent, with its industrial development plan, the full effect of the Efficio performance plan, its “strong A” credit rating target, and its ordinary dividend policy, assuming improved macro economic conditions by 2011.

Taking into account currently anticipated economic conditions and oil and electricity price scenarios based on forward prices[1], the Group’s EBITDA growth targets are estimated as follows:

- 2009 EBITDA higher than 2008 after anticipated impact of approximately EUR 1.5 billion on the Global Gas and LNG Business Line contribution to EBITDA mainly due to an expected drop in the average price of oil in 2009 and fewer arbitrage opportunities ;
- 2011 EBITDA between EUR 17 and EUR 18 billion.

Considering results achieved and the Group’s prospects, on March 4, 2009 the Board of Directors recommended an ordinary dividend payout in 2009 of EUR 1.40/share[2] (+11% in relation to 2007) that includes a EUR 0.80/share interim dividend paid November 27, 2008; the balance of the ordinary dividend will be paid May 11, 2009[3]. The Board also recommended payout of a EUR 0.80/share special dividend that may be received in cash or in shares by shareholders who will so request. The special dividend payment or share delivery will take place June 4, 20093. These recommendations will be submitted for shareholder approval at the May 4, 2009 Annual General Shareholders’ meeting.

(1) Average Brent $/bbl : 50/58/62 – Electricity baseload Benedelux €/MWh : 52/52/54 on January 2009.

(2) Based on the Gaz de France dividend paid in 2008 for 2007 (EUR 1.26 per share).

(3) Ex-dividend date : May 6, 2009.

II

PRO FORMA INFORMATION

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II. PRO FORMA INFORMATION

1 DESCRIPTION OF THE TRANSACTION

A description of the conditions and expected impacts of the merger is provided in note 2 – “Main changes in Group structure” to the consolidated financial statements for the year ended December 31, 2008.

2 BASIS OF PRESENTATION

The following unaudited pro forma condensed combined financial information (the “Pro Forma Financial Information”) at December 31, 2008 is presented in millions of euros and reflects the combination of Gaz de France and SUEZ using the purchase method of accounting under IFRS.

The unaudited pro forma condensed combined income statements (the “Pro Forma Income Statements”) for the years ended December 31, 2007 and December 31, 2008 are presented as if the merger between Gaz de France and SUEZ had taken place on January 1, 2007 and January 1, 2008, respectively.

This Pro Forma Financial Information was prepared in accordance with the provisions of Annex II – »Pro Forma Financial Information Building Block» of European Commission Regulation no. 809/2004, and in accordance with the Committee of European Securities Regulators February 2005 recommendations for the consistent implementation of European Commission Regulation no. 809/2004 on Prospectuses.

The Pro Forma Financial Information is provided solely for illustrative purposes and, therefore, is not necessarily indicative of the combined results of operations or the financial position of the Group resulting from the transaction that might have been achieved if the merger had occurred on January 1 of the years presented, nor are they necessarily indicative of the results of operations or the financial position of the new Group that may, or may not be expected to occur in the future.

In January 2009, GDF SUEZ completed the divestments requested by the European Commission as a consequence of the merger (the »remedies») based on the propositions put forward by SUEZ and Gaz de France (see note 2.2 to the 2008 consolidated financial statements). The Pro Forma Financial Information was prepared as though these divestments had taken place on January 1 of each of the years presented.

The contributions of the entities concerned, as well as the proceeds recorded on disposal, have therefore been eliminated in the various captions presented in the Pro Forma Income Statement, and are instead presented on the line »Impact of remedies».

Only pro forma adjustments related directly to the merger that are factually supportable and that can be estimated reliably are taken into account. No account has been taken in this Pro Forma Financial Information of any synergies or cost savings that may be expected to occur after the merger. The Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs that may be incurred as a result of the merger.

The following Pro Forma Financial Information was derived from: (i) the audited IFRS consolidated financial statements of GDF SUEZ for the year ended December 31, 2008 and of SUEZ for the year ended December 31, 2007, which are included in the GDF SUEZ 2008 Reference Document; (ii) the audited IFRS consolidated financial statements of Gaz de France for the year ended December 2007, which are included in the Gaz de France 2007 Reference Document; and (iii) the unaudited historical interim financial statements of Gaz de France for the six months ended June 30, 2008 which were the subject of a limited review by the statutory auditors.

(1) *Reverse acquisition.* For accounting purposes the merger has been treated as the acquisition of Gaz de France by SUEZ even though, from a legal standpoint, Gaz de France is the acquirer and is the entity issuing shares to SUEZ shareholders.

(2) *SUEZ Environnement Company.* Following the spin-off of 65% of SUEZ Environnement Company to SUEZ shareholders which took place immediately prior to the merger, the new Group holds a 35% ownership interest in SUEZ Environnement Company and retains de facto control through a shareholders’ agreement. Consequently, SUEZ Environnement Company is fully consolidated within the new Group’s financial statements using the historical carrying amounts as if the spin-off had occurred at January 1, 2007 and January 1, 2008 for the purposes of preparing the Pro Forma Income Statements. The spin-off is neutral from a tax standpoint.

(3) *Tax matters.* The tax impact of pro forma adjustments has been calculated at the statutory rate in force during the years for which the Pro Forma Income Statements are presented. On November 25, 2008, GDF SUEZ obtained a ruling from

the French tax authorities allowing the Group to recognize an additional deferred tax asset of €316 million. This deferred tax asset derives from tax loss carry-forwards and deductible temporary differences of the SUEZ SA tax consolidation group that were not fully recognized in the SUEZ balance sheet at June 30, 2008. This additional deferred tax asset has been recorded as revenue in the new Group's income statement. In addition, following the dissolution of the SUEZ SA tax consolidation group, the neutralization of certain operations was discontinued, generating tax loss carry-forwards of €897 million, immediately utilized against taxable profits generated by GDF SUEZ SA for the period. The Pro Forma Income Statements for the years presented were not restated to take these various items into account.

(4) *Reclassifications and homogenization of accounting policies.* There were certain differences in the way Gaz de France and SUEZ presented items on their respective income statements. As a result, certain items have been reclassified in the Pro Forma Income Statements to conform to the reporting format adopted by the new Group.

Pro forma adjustments have also been made to harmonize the accounting policies used for similar transactions.

(5) *Intercompany transactions.* Following the completion of the merger, any transactions that occur between Gaz de France and SUEZ are considered intercompany transactions. Purchases and sales of energy and reciprocal services between the entities of the new Group have been eliminated in the Pro Forma Income Statements for the years presented.

3 MEASUREMENT AND ALLOCATION OF THE COST OF THE BUSINESS COMBINATION

The cost of the business combination was calculated based on the number of shares outstanding and on the closing share price on July 22, 2008, which is the effective date of the merger. The allocation of the purchase price to the assets and liabilities of Gaz de France is based on provisional estimates of their fair values.

In accordance with IFRS 3, the Group has twelve months from the acquisition date to finalize the allocation of the cost of the business combination to the assets and liabilities and contingent liabilities of Gaz de France. Given the size and complexity of the transaction, the allocations recognized at December 31, 2008 and the resulting pro forma adjustments were determined provisionally and are subject to revision to reflect the final determination of fair values.

The measurement and allocation of the cost of the business combination are described in note 2 – "Main changes in Group structure" to the consolidated financial statements included in this Reference Document.

4 GDF SUEZ PRO FORMA INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008

4.1 GDF SUEZ Pro Forma Income Statement for the year ended December 31, 2008

In millions of euros	GDF SUEZ published data for the year ended Dec. 31, 2008	Gaz de France pro forma data for the period from Jan. 1, 2008 to July 22, 2008 (unaudited) (see note 6)	Impact of remedies (unaudited) (see note 7)	Purchase price computation and allocation for the period from Jan. 1, 2008 to July 22, 2008 (unaudited) (see note 8)	Other adjustments (unaudited) (see note 9)	Combined pro forma data for the year ended Dec. 31, 2008 (unaudited)
REVENUES	**67,924**	**17,844**	**(2,395)**	**(132)**	**(188)**	**83,053**
Purchases	(35,879)	(10,282)	3,466		(1,503)	(44,198)
Personnel costs	(9,679)	(1,420)	65	18	1	(11,015)
Depreciation, amortization and provisions, net	(3,713)	(913)	28	(307)	20	(4,885)
Net other operating expenses	(12,429)	(2,210)	(1,579)	132	1,692	(14,394)
CURRENT OPERATING INCOME	**6,224**	**3,019**	**(415)**	**(289)**	**22**	**8,561**
Mark-to-market on commodity contracts other than trading instruments	564	(43)	34			555
Impairment of assets	(812)	-			1	(811)
Restructuring costs	(254)	(74)			141	(187)
Disposals of assets, net	1,958	23	(1,901)	(5)	10	85
INCOME FROM OPERATING ACTIVITIES	**7,680**	**2,925**	**(2,282)**	**(294)**	**174**	**8,203**
Net financial costs	(1,359)	(59)	(44)	(2)	(12)	(1,476)
Net other financial expenses	(136)	(124)	(2)	114	12	(136)
NET FINANCIAL LOSS	**(1,495)**	**(183)**	**(46)**	**112**	**-**	**(1,612)**
Income tax expense	(912)	(996)	129	76	(62)	(1,765)
Share in net income of associates	318	78	59	(12)	4	447
NET INCOME BEFORE IMPACT OF REMEDIES	**5,591**	**1,824**	**(2,140)**	**(118)**	**116**	**5,273**
Group share	4,857	1,787	(2,043)	(115)	(24)	4,462
Minority interests	734	37	(98)	(3)	140	811
Earnings per share	2.98					2.07
Diluted earnings per share	2.95					2.05
IMPACT OF REMEDIES		**-**	**2,140**			**2,140**
NET INCOME AFTER IMPACT OF REMEDIES	**5,591**	**1,824**	**-**	**(118)**	**116**	**7,413**
Group share	4,857	1,787		(115)	(24)	6,505
Minority interests	734	37		(3)	140	908
Earnings per share	2.98					3.01
Diluted earnings per share	2.95					2.99

4.2 GDF SUEZ Pro Forma EBITDA for the year ended December 31, 2008

In millions of euros	GDF SUEZ pro forma data for the year ended Dec. 31, 2008 (unaudited)
CURRENT OPERATING INCOME	**8,561**
• Depreciation, amortization and provisions	4,885
• Share-based payment (IFRS 2)	199
• Net disbursements under concession contracts	241
EBITDA	13,886

5 GDF SUEZ PRO FORMA INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007

5.1 GDF SUEZ Pro Forma Income Statement for the year ended December 31, 2007

In millions of euros	Historical SUEZ data	Gaz de France pro forma historical data (unaudited) (see note 6.1)	Impact of remedies (unaudited) (see note 7)	Purchase price computation and allocation (unaudited) (see note 8)	Other adjustments (unaudited) (see note 9)	Combined pro forma data for the year ended Dec. 31, 2007 (unaudited)
REVENUES	**47,475**	**27,307**	**(2,612)**	**(284)**	**(658)**	**71,228**
Purchases	(21,289)	(15,201)	3,390		(1,676)	(34,776)
Personnel costs	(8,141)	(2,625)	137	36	18	(10,575)
Depreciation, amortization and provisions, net	(1,913)	(1,541)	25	(697)	16	(4,110)
Net other operating expenses	(10,956)	(4,062)	(1,541)	284	2,333	(13,942)
CURRENT OPERATING INCOME	**5,176**	**3,878**	**(601)**	**(661)**	**33**	**7,825**
Mark-to-market on commodity contracts other than trading instruments	68	(87)	48			29
Impairment of assets	(132)	8				(124)
Restructuring costs	(43)	(20)			39	(24)
Disposals of assets, net	339	104		(27)	(1)	415
INCOME FROM OPERATING ACTIVITIES	**5,408**	**3,883**	**(553)**	**(688)**	**71**	**8,121**
Net financial costs	(673)	(171)	(44)	(3)	9	(882)
Net other financial expenses	(49)	(148)	(1)	192	(14)	(20)
NET FINANCIAL LOSS	**(722)**	**(319)**	**(45)**	**189**	**(5)**	**(902)**
Income tax expense	(527)	(1,153)	185	194	(30)	(1,331)
Share in net income of associates	458	99	113	(24)	1	647
NET INCOME BEFORE IMPACT OF REMEDIES	**4,617**	**2,510**	**(300)**	**(329)**	**37**	**6,535**
Group share	3,923	2,472	(172)	(326)	(317)	5,580
Minority interests	693	38	(127)	(3)	354	955
Earnings per share	3.09	2.51				2.56
Diluted earnings per share	3.04	2.51				2.54
IMPACT OF REMEDIES		**-**	**300**			**300**
NET INCOME AFTER IMPACT OF REMEDIES	**4,617**	**2,510**	**-**	**(329)**	**37**	**6,835**
Group share	3,923	2,472		(326)	(317)	5,752
Minority interests	693	38		(3)	354	1,082
Earnings per share	3.09	2.51				2.64
Diluted earnings per share	3.04	2.51				2.62

5.2 GDF SUEZ Pro Forma EBITDA for the year ended December 31, 2007

In millions of euros	SUEZ	Gaz de France	Impact of remedies (unaudited)	Other adjustments (unaudited)	Combined pro forma data for the year ended Dec. 31, 007 (unaudited)
SUEZ PUBLISHED EBITDA (NEW GROUP DEFINITION)	**7,433**				
GAZ DE FRANCE PUBLISHED 2007 GROSS OPERATING INCOME		**5,666**			
- Net proceeds from disposals of property, plant and equipment and intangible assets		64			
+ Reclassification of costs attributable to the merger		17			
- Mark-to-market on commodity contracts other than trading instruments		(87)			
- Restructuring costs		(2)			
+ Other		(12)			
Gaz de France EBITDA (new Group definition)		5,696	-	-	
GDF SUEZ PRO FORMA EBITDA	7,433	5,696	(627)	36	12,538

6 GAZ DE FRANCE HISTORICAL DATA

Certain items included in Gaz de France historical income statement line-items have been reclassified to conform to the new Group presentation for pro forma purposes.

6.1 Gaz de France Income Statement for the period from January 1, 2008 to July 22, 2008 (pro forma presentation)

In millions of euros	Notes	Gaz de France as published at June 30, 2008	Reclassifications	Gaz de France data for the period from July 1, 2008 to July 22, 2008 (unaudited)	Gaz de France pro forma data for the period period from Jan 1, 2008 to July 22, 2008 (unaudited)
REVENUES	*(1), (9)*	**16,864**	**(220)**	**1,200**	**17,844**
Purchases and other external charges	*(2)*	(11,587)	11,587		-
Purchases	*(2), (9)*		(9,711)	(571)	(10,282)
Personnel costs	*(3), (5)*	(1,302)	29	(147)	(1,420)
Depreciation, amortization and provisions, net	*(3), (5), (6), (7)*	(942)	29		(913)
Other operating income	*(4), (7), (8)*	358	(358)		-
Other operating expenses	*(4), (7), (8)*	(624)	624		-
Net other operating expenses	*(1), (2), (4), (9), (10), (11)*		(1,867)	(343)	(2,210)
OPERATING INCOME	*(12)*	**2,767**	**113**	**139**	
CURRENT OPERATING INCOME	*(12)*				**3,019**
Mark-to-market on commodity contracts other than trading instruments	*(8)*		(43)		(43)
Impairment of assets	*(6)*				-
Restructuring costs	*(3), (10)*		(74)		(74)
Disposals of assets, net	*(11)*		23		23
INCOME FROM OPERATING ACTIVITIES			**19**	**139**	**2,925**
Net financial costs		(59)			(59)
Net other financial expenses	*(11)*	(101)	(23)		(124)
Net financial loss					(183)
Income tax expense	*(13)*		(948)	(48)	(996)
Share in net income of associates		78	-	-	78
INCOME BEFORE TAX		**2,685**	**(952)**	**91**	
Corporate income tax	*(13)*	(948)	948		
NET INCOME		**1,737**		**91**	**1,824**
Group share		1,700	-	91	1,791
Minority interests		37	-	-	37

6.2 Gaz de France Income Statement for the year ended December 31, 2007 (pro forma presentation)

In millions of euros	Notes	Gaz de France as published at Dec. 31, 2007	Reclassifications	Gaz de France pro forma data for the year ended Dec. 31, 2007 (unaudited)
REVENUES	*(1), (9)*	**27,427**	**(120)**	**27,307**
Purchases and other external charges	*(2)*	(19,131)	19,131	-
Purchases	*(2), (9)*		(15,201)	(15,201)
Personnel costs	*(3), (5)*	(2,628)	3	(2,625)
Depreciation, amortization and provisions, net	*(3), (5), (6),(7)*	(1,532)	(9)	(1,541)
Other operating income	*(4), (7), (8)*	530	(530)	
Other operating expenses	*(4), (7), (8)*	(792)	792	-
Net other operating expenses	*(1), (2), (4), (9), (10), (11)*		(4,062)	(4,062)
OPERATING INCOME	*(12)*	**3,874**	**4**	
CURRENT OPERATING INCOME	*(12)*			**3,878**
Mark-to-market on commodity contracts other than trading instruments	*(8)*		(87)	(87)
Impairment of assets	*(6)*		8	8
Restructuring costs	*(3), (10)*		(20)	(20)
Disposals of assets, net	*(11)*		104	104
INCOME FROM OPERATING ACTIVITIES			**9**	**3,883**
Net financial costs		(170)	(1)	(171)
Net other financial expenses	*(11)*	(140)	(8)	(148)
Net financial loss				
Income tax expense	*(13)*		(1,153)	(1,153)
Share in net income of associates		99	-	99
INCOME BEFORE TAX		**3,663**	**(1,153)**	
Corporate income tax	*(13)*	(1,153)	1,153	
NET INCOME		**2,510**		**2,510**
Group share		2,472	-	2,472
Minority interests		38	-	38

Reclassification of specific line-items in the Gaz de France condensed statement of income

(1) Various cross-charged amounts included in “Revenues” have been reclassified to “Net other operating expenses”.

(2) “Purchases and other external charges” has been reclassified to “Purchases”, except for “Other purchases and expenses” and “Capitalized expenses” which were included in “Net other operating expenses”.

(3) “Personnel costs” and “Allowances to provisions” incurred within the scope of a restructuring process have been reclassified in “Restructuring costs”.

(4) “Other operating income” and “Other operating expenses” have been reclassified to “Net other operating expenses”.

(5) Share-based payments included in various line-items have been reclassified to “Personnel costs”.

(6) Impairment losses included in “Depreciation, amortization and provisions, net” have been reclassified to “Impairment of assets”.

(7) Impairment losses on current assets recognized in “Other operating income” and “Other operating expenses” have been reclassified to “Depreciation, amortization and provisions, net”.

(8) “Unrealized gains and losses on derivative instruments” included in “Other operating income” or “Other operating expenses”, have been reclassified to “Mark-to-market on commodity contracts other than trading instruments”.

(9) “Realized gains and losses on commodity hedging instruments” included in “Other operating income” and “Other operating expenses” have been reclassified to “Revenues” or “Purchases” according to their nature.

(10) The costs attributable to the business combination included in “Other operating income» or “Other operating expenses” have been reclassified to “Restructuring costs”.

(11) “Net proceeds from disposals of property, plant and equipment, intangible assets and financial assets” which were included in “Other operating income”, “Other operating expenses” or “Net other financial expenses”, have been reclassified to “Disposal of assets, net”.

(12) “Operating income” has been replaced by “Current operating income”.

(13) “Corporate income tax” has been reclassified to “Income tax expense”.

The “Income before tax” line-item is not included in the new Group reporting format.

The Group will pursue its review of the consistency of classification. Consequently, additional reclassifications may be necessary.

7 IMPACT OF REMEDIES

In accordance with the Group’s commitments to the European Commission in relation to the merger, the following interests and entities have been sold:

- the 25.5% equity interest in the share capital of SPE (Belgium-based electricity producer);
- the heating network businesses operated by Gaz de France through Cofathec-Coriance;
- the equity interest in the share capital of Distrigas;
- 12.5% of the equity interest in the share capital of Fluxys.

In the Pro Forma Financial Information, these disposals are deemed to have been carried out on January 1 of each of the periods presented. The contributions of these entities, as well as the proceeds recorded on disposal (chiefly concerning the sale of the stakes in Distrigas and the 12.5% interest in Fluxys), have therefore been eliminated in the Pro Forma Income Statement, and are instead included within »Impact of remedies». For more information on these transactions, see note 2 – “Main changes in Group structure” and note 29 – “Subsequent events” to the consolidated financial statements included in this Reference Document.

8 MEASUREMENT AND ALLOCATION OF THE COST OF THE BUSINESS COMBINATION

The cost of the business combination and its allocation are presented in note 2 – “Main changes in Group structure”. The fair value adjustment in the amount of €17,315 million allocated to intangible assets, concession assets and other property, plant and equipment is amortized over an average weighted useful life of 18.2 years. Consequently, additional amortization and depreciation expenses in the amounts of €479 million and €662 million were booked, respectively, in the Pro Forma Income Statement for the years ended December 31, 2008 and December 31, 2007, reflecting the impact of the amortization of the fair value adjustment recognized as part of the allocation of the cost of the business combination, as well as the impact in 2008 of reversing other comprehensive income previously recycled to the income statement and related to financial instruments designated as cash flow hedges existing at the date of merger. As indicated in note 2 – “Main changes in Group structure» to the consolidated financial statements, provisions set aside for renewal and replacement liabilities relating to gas distribution assets in France were eliminated, leading to the reversal of the corresponding unwinding of the discount. Consequently, amounts of €262 million and €225 million were recorded under “Other financial income and expenses” in the Pro Forma Income Statement for the years ended December 31, 2008, and December 31, 2007, respectively.

The deferred tax impact relating to these pro forma adjustments is €105 million at December 31, 2008 and €194 million at December 31, 2007.

9 OTHER PRO FORMA ADJUSTMENTS

9.1 Homogenization of accounting policies

The only adjustment made in order to align SUEZ and Gaz de France accounting policies concerns borrowing costs. In accordance with the amendment to IAS 23, the new Group has elected to capitalize borrowing costs. This differs from the practice previously adhered to by Gaz de France whereby all interest costs were expensed in the period in which they were incurred, including borrowing costs incurred during the construction period to finance concession and other intangible assets.

For the years ended December 31, 2008, and December 31, 2007, the capitalization of borrowing costs results in respective decreases of €37 million and €46 million in interest costs. The related impacts on the “Income tax expense” line item are increases of €13 million and €15 million, respectively, for the years ended December 31, 2008, and December 31, 2007.

9.2 Intercompany transactions

Purchases and sales of energy and reciprocal services between the entities of the new Group have been eliminated in the Pro Forma Income Statements.

9.3 Reciprocal shareholdings and related dividends

Dividends received by Gaz de France and SUEZ on reciprocal shareholdings have been eliminated in the Pro Forma Income Statements. The corresponding adjustments amounted to a negative €21 million and a negative €23 million, respectively, for the years ended December 31, 2007, and December 31, 2008.

9.4 Spin-off of 65% of SUEZ Environnement Company

Following the spin-off of 65% of SUEZ Environnement Company to SUEZ shareholders immediately prior to the merger, the new Group holds a 35% ownership interest in SUEZ Environnement C, ompany and retains de facto control through a shareholders’ agreement entered into between the new Group and the main shareholders of the former SUEZ Group, together representing 47% of the share capital of SUEZ Environnement Company. Accordingly, SUEZ Environnement Company is fully consolidated within the new Group’s financial statements, with a corresponding reclassification to minority interests to take account of the spin-off of 65% of this business.

No current or deferred income tax effect related to this operation has been taken into account in the Pro Forma Income Statement as presented.

Since current IFRS do not specifically address the above issues and since the new Group retains control over SUEZ Environnement Company through a shareholders’ agreement, the spin-off has been measured at its historical consolidated carrying amount based on the portion of SUEZ Environnement Company shares distributed.

Therefore, the spin-off results in a decrease in Group net income of €334 million at December 31, 2007 and of €116 million at December 31, 2008, with corresponding increases in minority interests.

9.5 Costs attributable to the merger

Within the scope of the merger, fees were incurred for legal, banking, financial and accounting advice. As the merger has been treated as a reverse acquisition for accounting purposes, the portion of these fees incurred by Gaz de France in 2007 and the first half of 2008 was recognized in income in the consolidated financial statements of Gaz de France. The former SUEZ entities also recognized expenses in relation to the spin-off of SUEZ Environnement Company in 2007 and 2008, as well as other fees relating to the merger that did not qualify for capitalization within the cost of the business combination. These costs were disbursed in connection with the preparation and execution of the merger, but are deemed to have been incurred in advance of the periods presented and have therefore been eliminated in the GDF SUEZ Pro Forma Income Statements for 2007 and 2008. For the years ended December 31, 2007, and December 31, 2008, this results in decreases in restructuring costs in the amounts of €33 million and €140 million, respectively. The related impact on the “Income tax expense” line item is €11 million and €48 million, respectively, for the years ended December 31, 2007, and December 31, 2008.

III

CONSOLIDATED FINANCIAL STATEMENTS

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III. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Assets

In millions of euros	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Non-current assets				
Intangible assets, net	*10*	10,691.6	3,497.7	3,488.1
Goodwill	*9*	27,510.1	14,902.8	13,404.6
Property, plant and equipment, net	*11*	63,482.1	22,597.1	21,002.8
Available-for-sale securities	*14*	3,309.0	4,120.7	2,816.5
Loans and receivables carried at amortized cost	*14*	2,303.5	2,107.0	2,170.1
Derivative instruments	*14*	2,893.4	1,140.1	1,014.1
Investments in associates	*12*	3,104.3	1,214.3	1,259.7
Other non-current assets	*14*	1,271.8	730.5	778.8
Deferred tax assets	*7*	618.4	1,085.0	871.0
TOTAL NON-CURRENT ASSETS		**115,184.3**	**51,395.2**	**46,805.7**
Current assets				
Loans and receivables carried at amortized cost	*14*	1,346.4	331.3	298.8
Derivative instruments	*14*	9,439.9	3,363.3	3,318.6
Trade and other receivables	*14*	22,729.3	11,869.3	10,412.2
Inventories		4,208.9	1,571.8	1,483.4
Other current assets	*14*	4,481.0	2,556.5	2,336.6
Financial assets at fair value through income	*14*	768.9	1,319.5	833.0
Cash and cash equivalents	*14*	9,049.3	6,720.2	7,946.3
TOTAL CURRENT ASSETS		**52,023.7**	**27,732.0**	**26,628.9**
TOTAL ASSETS		167,208.0	79,127.2	73,434.6

Liabilities

In millions of euros	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Shareholders' equity		57,747.7	22,192.8	19,503.8
Minority interests		5,070.6	2,668.1	3,060.0
TOTAL EQUITY	**16**	**62,818.3**	**24,860.9**	**22,563.8**
Non-current liabilities				
Provisions	*17*	12,607.0	8,448.5	8,419.7
Long-term borrowings	*14*	24,200.4	14,526.0	13,000.6
Derivative instruments	*14*	2,889.6	800.9	711.7
Other financial liabilities	*14*	859.1	778.0	467.5
Other non-current liabilities		1,277.7	1,004.5	917.3
Deferred tax liabilities	*7*	10,546.4	1,643.6	1,444.5
TOTAL NON-CURRENT LIABILITIES		**52,380.1**	**27,201.5**	**24,961.3**
Current liabilities				
Provisions	*17*	2,185.7	1,106.6	1,366.1
Short-term borrowings	*14*	14,641.0	7,129.8	6,678.5
Derivative instruments	*14*	9,472.4	3,201.9	3,369.5
Trade and other payables	*14*	17,914.7	10,038.1	9,209.4
Other current liabilities		7,795.8	5,588.4	5,286.0
TOTAL CURRENT LIABILITIES		**52,009.6**	**27,064.8**	**25,909.5**
TOTAL EQUITY AND LIABILITIES		**167,208.0**	**79,127.2**	**73,434.6**

Data for 2007 and 2006 correspond to the historical published consolidated financial statements of the SUEZ Group. Data for 2008 include the former SUEZ entities, and the contribution of former Gaz de France entities as of July 22, 2008. Pro forma information is provided in the pro forma section of the Reference Document.

Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause slight discrepancies in the lines and columns showing totals and changes.

CONSOLIDATED INCOME STATEMENTS

In millions of euros	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Revenues		67,923.8	47,475.4	44,289.2
Purchases		(35,879.0)	(21,289.4)	(21,010.0)
Personnel costs		(9,679.0)	(8,141.5)	(7,640.8)
Depreciation, amortization and provisions		(3,713.5)	(1,912.7)	(1,684.8)
Other operating income and expenses, net		(12,428.8)	(10,956.4)	(9,457.1)
CURRENT OPERATING INCOME	*4*	**6,223.6**	**5,175.4**	**4,496.5**
Mark-to-market on commodity contracts other than trading instruments		563.6	67.8	17.1
Impairment of property, plant and equipment, intangible assets and financial assets		(811.8)	(132.0)	(150.3)
Restructuring costs		(254.2)	(42.6)	(88.8)
Disposals of assets, net		1,957.7	339.4	1,093.1
INCOME FROM OPERATING ACTIVITIES	*5*	**7,678.8**	**5,408.0**	**5,367.6**
Financial expenses		(2,377.8)	(1,709.5)	(1,610.6)
Financial income		883.7	987.4	879.6
NET FINANCIAL LOSS	*6*	**(1,494.1)**	**(722.1)**	**(731.0)**
Income tax expense	*7*	(911.9)	(527.5)	(815.1)
Share in net income of associates	*12*	318.3	457.9	372.7
NET INCOME		**5,591.2**	**4,616.3**	**4,194.2**
Net income Group share		4,857.1	3,923.5	3,606.3
Minority interests		734.0	692.7	587.9
Earnings per share	*8*	**2.98**	**3.24**	**3.00**
Diluted earnings per share	*8*	2.95	3.19	2.96

Data for 2007 and 2006 correspond to the historical published consolidated financial statements of the SUEZ Group. Data for 2008 include the former SUEZ entities, and the contribution of former Gaz de France entities as of July 22, 2008. Pro forma information is provided in the pro forma section of the Reference Document.

CONSOLIDATED CASH FLOW STATEMENTS

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Net income	5,591.2	4,616.3	4,194.2
- Share in net income of associates	(318.3)	(457.9)	(372.7)
+ Dividends received from associates	358.1	229.8	355.7
- Net depreciation, amortization and provisions	3,986.0	1,925.3	1,743.3
- Net capital gains on disposals (incl. reversals of provisions)	(1,957.7)	(339.4)	(1,097.7)
- Mark-to-market on commodity contracts other than trading instruments	(563.6)	(67.8)	(17.1)
- Other items with no cash impact	184.4	110.8	31.7
- Income tax expense	911.9	527.5	815.1
- Net financial loss	1,494.1	722.1	731.0
Cash generated from operations before income tax and working capital requirements	**9,686.1**	**7,266.6**	**6,383.5**
+ Tax paid	(1,806.3)	(1,005.6)	(985.4)
Change in working capital requirements	**(3,486.6)**	**(244.3)**	**(225.9)**
CASH FLOW FROM OPERATING ACTIVITIES	**4,393.1**	**6,016.6**	**5,172.2**
Acquisitions of property, plant and equipment and intangible assets	(9,125.0)	(3,129.7)	(2,367.6)
Acquisitions of entities net of cash and cash equivalents acquired	(723.2)	(1,508.3)	(1,088.2)
Acquisitions of available-for-sale securities	(517.5)	(1,361.9)	(315.6)
Disposals of property, plant and equipment and intangible assets	127.6	131.1	181.8
Disposals of entities net of cash and cash equivalents sold	2,538.1	554.9	2,009.9
Disposals of available-for-sale securities	110.3	406.3	777.8
Interest received on non-current financial assets	129.9	116.0	151.3
DIVidends received on non-current financial assets	219.6	202.4	288.7
Change in loans and receivables originated by the Group and other	(107.7)	(92.1)	(4.0)
CASH FLOW USED IN INVESTING ACTIVITIES	**(7,347.9)**	**(4,681.2)**	**(365.9)**
Dividends paid	(3,900.4)	(1,968.5)	(1,720.9)
Repayment of borrowings and debt	(5,101.0)	(7,579.0)	(8,744.0)
Change in financial assets at fair value through income	517.8	(265.3)	346.3
Interest paid	(1,482.6)	(1,230.9)	(1,081.4)
Interest received on cash and cash equivalents	260.7	272.8	326.9
Increase in borrowings and debt	15,666.5	8,478.7	3,538.3
Increase in capital	246.7	832.9	162.4
Assignment of litigious receivables			
Treasury stock movements	(679.9)	(1,058.2)	234.3
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**5,527.9**	**(2,517.5)**	**(6,938.1)**
Effect of changes in consolidation method, exchange rates and other	(248.4)	(44.0)	(296.3)
TOTAL CASH FLOW FOR THE PERIOD	**2,324.7**	**(1,226.1)**	**(2,428.1)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**6,720.2**	**7,946.3**	**10,374.4**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,049.3**	**6,720.2**	**7,946.3**

Data for 2007 and 2006 correspond to the historical published consolidated financial statements of the SUEZ Group. Data for 2008 include the former SUEZ entities, and the contribution of former Gaz de France entities as of July 22, 2008. Pro forma information is provided in the pro forma section of the Reference Document.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves and net income	Fair value adjustments and other	Treasury stock	Cumulative translation adjustment	Shareholders' equity	Minority interests	Total
Equity under IFRS at December 31, 2005	**1,270,756,255**	**2,541.4**	**11,378.9**	**2,061.7**	**37.3**	**(355.7)**	**592.3**	**16,255.9**	**2,567.3**	**18,823.2**
Income and expense recognized directly in equity					842.9		(349.9)	493.0	(84.5)	408.5
Net income				3,606.3				3,606.3	587.9	4,194.2
TOTAL RECOGNIZED INCOME AND EXPENSE				**3,606.3**	**842.9**		**(349.9)**	**4,099.3**	**503.4**	**4,602.7**
Employee share issues and share-based payment	6,388,344	12.8	149.3	42.9				205.0		205.0
Non-cash capital increase	299,804	0.6	6.2					6.8		6.8
Dividends paid				(1,260.2)				(1,260.2)	(460.7)	(1,720.9)
Net acquisitions of treasury stock				10.7		223.5		234.2		234.2
Other changes				(37.2)				(37.2)	450.0	412.8
Equity under IFRS at December 31, 2006	**1,277,444,403**	**2,554.8**	**11,534.4**	**4,424.2**	**880.2**	**(132.2)**	**242.4**	**19,503.8**	**3,060.0**	**22,563.8**
Income and expense recognized directly in equity					787.1		(386.5)	400.7	36.5	437.2
Net income				3,923.5				3,923.5	692.8	4,616.3
TOTAL RECOGNIZED INCOME AND EXPENSE				**3,923.5**	**787.1**		**(386.5)**	**4,324.2**	**729.3**	**5,053.5**
Employee share issues and share-based payment	29,599,119	59.2	767.6	116.6				943.4		943.4
Dividends paid				(1,513.8)				(1,513.8)	(448.4)	(1,962.2)
Net acquisitions of treasury stock				17.6		(1,082.5)		(1,064.9)	3.6	(1,061.2)
Other changes									(676.4)	(676.4)
Equity under IFRS at December 31, 2007	**1,307,043,522**	**2,614.1**	**12,302.0**	**6,968.1**	**1,667.3**	**(1,214.7)**	**(144.1)**	**22,192.8**	**2,668.1**	**24,860.9**
Income and expense recognized directly in equity					(2,198.0)		(529.2)	(2,727.2)	(507.0)	(3,234.2)
Merger-related impacts										
Net income				4,857.4				4,857.4	734.0	5,591.4
TOTAL RECOGNIZED INCOME AND EXPENSE				**4,857.4**	**(2,198.0)**		**(529.2)**	**2,130.2**	**227.0**	**2,357.2**

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves and net income	Fair value adjustments and other	Treasury stock	Cumulative translation adjustment	Shareholders' equity	Minority interests	Total
Employee share issues and share-based payment	4,009,571	5.9	77.4	169.0				252.3		252.3
Dividends paid				(3,442.8)				(3,442.8)	(466.7)	(3,909.5)
Net acquisitions of treasury stock				31.1		(720.0)		(688.9)	4.0	(684.9)
Gaz de France acquisition	1,207,660,692	1,207.7	16,878.9	21,731.2				39,817.8	620.0	40,437.8
Conversion into GDF SUEZ shares [(a)]	(325,069,965)	(1,633.8)		1,440.4		193.4				
Other impacts related to GDF acquisition				(274.0)				(274.0)		(274.0)
SUEZ Environnement Company spin-off				(2,289.0)				(2,289.0)	2,289.0	
Impact of Distrigas & Fluxys remedies									(849.0)	(849.0)
Other changes				49.3				49.3	578.2	627.5
Equity under IFRS at December 31, 2008	**2,193,643,820**	**2,193.9**	**29,258.3**	**29,240.7**	**(530.7)**	**(1,741.3)**	**(673.3)**	**57,747.7**	**5,070.6**	**62,818.3**

(a) See note 16.

Data for 2007 and 2006 correspond to the historical published consolidated financial statements of the SUEZ Group. Data for 2008 include the former SUEZ entities, and the contribution of former Gaz de France entities as of July 22, 2008. Pro forma information is provided in the pro forma section of the Reference Document.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Total at Dec. 31, 2008	Of which shareholders' equity	Of which minority interests	Total at Dec. 31, 2007	Of which shareholders' equity	Of which minority interests	Total at Dec. 31, 2006	Of which shareholders' equity	Of which minority interests
Available-for-sale financial assets	(690.3)	(669.1)	(21.2)	395.8	353.7	42.2	293.6	290.4	3.2
Net investment hedges	78.7	55.4	23.3	5.7	4.2	1.4	42.4	42.4	
Cash flow hedges	(419.1)	(303.0)	(116.0)	(71.2)	(61.9)	(9.3)	89.9	87.3	2.6
Commodity cash flow hedges	(1,469.3)	(1,436.8)	(32.5)	351.6	342.8	8.8	640.0	658.5	(18.5)
Actuarial gains and losses	(638.5)	(571.3)	(67.2)	397.2	381.5	15.6	54.4	52.4	2.0
Deferred taxes	826.1	781.5	44.6	(254.3)	(247.4)	(6.9)	(314.3)	(318.3)	4.0
Translation adjustments	(922.0)	(584.0)	(338.0)	(387.8)	(372.4)	(15.4)	(397.5)	(319.7)	(77.8)
Income and expense recognized directly in equity	(3,234.2)	(2,727.2)	(507.0)	437.2	400.7	36.5	408.5	493.0	(84.5)
Net income	5,591.4	4,857.4	734.0	4,616.3	3,923.5	692.8	4,194.2	3,606.3	587.9
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	**2,357.2**	**2,130.2**	**227.0**	**5,053.5**	**4,324.2**	**729.3**	**4,602.7**	**4,099.3**	**503.4**

Data for 2007 and 2006 correspond to the historical published consolidated financial statements of the SUEZ Group. Data for 2008 include the former SUEZ entities, and the contribution of former Gaz de France entities as of July 22, 2008. Pro forma information is provided in the pro forma section of the Reference Document.

IV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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INFORMATION ON THE GDF SUEZ GROUP

On July 16, 2008, the Ordinary and Extraordinary Shareholders' Meeting of Gaz de France approved its merger with SUEZ. On the same date, the Ordinary and Extraordinary Shareholders' Meeting of SUEZ approved its merger with Gaz de France, the stock market listing of SUEZ Environnement and the distribution by SUEZ to its shareholders of 65% of the shares of SUEZ Environnement. The merger of SUEZ into Gaz de France SA, which became effective on July 22, 2008, was accounted for at that date as the acquisition of Gaz de France by SUEZ as described in Note 2 – "Main changes in Group structure". Accordingly, the consolidated financial statements of the SUEZ Group for 2006 and 2007 represent the historical financial statements of the new GDF SUEZ Group ("the Group"). Due to US publishing requirements, the Group presents two comparative periods.

GDF SUEZ SA, the parent company of the GDF SUEZ Group, is a French *société anonyme* with a Board of Directors that is subject to the provisions of Book II of the French Commercial Code (*Code de commerce*), as well as all other provisions of French law applicable to commercial companies. GDF SUEZ was incorporated on November 20, 2004 for a period of 99 years.

It is governed by current and future laws and by regulations applicable to *sociétés anonymes* and its bylaws.

The Group is headquartered at 22 rue du docteur Lancereaux, 75008 Paris (France).

GDF SUEZ shares are listed on the Paris, Brussels and Luxembourg stock exchanges.

GDF SUEZ is one of the world's leading energy providers, active across the entire energy value chain – upstream and downstream – in both electricity and natural gas. It develops its businesses (energy, energy services and environment) around a responsible growth model in order to meet the challenges of responding to energy needs, safeguarding supplies, combating climate change and optimizing the use of resources.

On March 4, 2009, the Group's Board of Directors approved and authorized for issue the consolidated financial statements of the Group for the year ended December 31, 2008.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

Pursuant to European Regulation (EC) 809/2004 on prospectus dated April 29, 2004, financial information concerning the assets, liabilities, financial position, and profit and loss of GDF SUEZ has been provided for the last three reporting periods (ended December 31, 2006, 2007 and 2008). These information were prepared in accordance with European Regulation (EC) 1606/2002 on international accounting standards (IFRS) dated July 19, 2002. The Group's consolidated financial statements for the year ended December 31, 2008 have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) and endorsed by European Union[1].

GDF SUEZ has applied IFRIC 12 since December 31, 2006. The Group considers that this interpretation, although still under review by the European Union, is compliant with the standards already adopted and may therefore be used as guidance[2].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2008 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2007, except for those described in sections 1.1.1 and 1.1.2.

(1) Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/

(2) As stated in the November 2003 Comments concerning certain Articles of European Regulation (EC) 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, the Fourth Council Directive 78/660/EEC of July 25, 1978 and the Seventh Council Directive 83/349/EEC of June 13, 1983 on accounting.

1.1.1 IFRS standards, amendments and IFRIC interpretations applicable to the 2008 annual financial statements

- IFRIC 14[(3)] – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation does not have a material impact on the Group's consolidated financial statements.

- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions

This interpretation clarifies the accounting treatment to be applied by a subsidiary which receives a share-based payment involving the equity instruments of its parent company for which the parent chooses to buy treasury shares to settle its obligation. This interpretation has no impact on the Group's consolidated financial statements.

- Amendments to IAS 39 and IFRS 7 – Reclassification of financial assets

The amendment to IAS 39 was introduced as a response to the financial crisis and allows entities, in limited circumstances, to reclassify financial instruments out of the "Financial assets at fair value through profit and loss» category. Under certain conditions, the amendment also allow entities to reclassify financial instruments from the "Financial assets at fair value through profit and loss» and "Available-for-sale financial assets" categories to the "Loans and receivables" category.

These amendments have no impact on the Group's consolidated financial statements.

Since December 31, 2006, the Group has applied IFRIC 12. This interpretation is effective as of 2008.

1.1.2 IFRS standards and IFRIC interpretations effective after 2008 that the Group has elected to early adopt

IFRS 8 – Operating Segments

This standard replaces IAS 14 and aligns required segment disclosures with segment reporting as prescribed by the US standard SFAS 131. SFAS 131 states that operating segments must be presented using the "management approach". IFRS 8 does not affect the Group's performance or financial position, but changes the information presented.

The Group provides the following segment information for the operating segments listed below.

Segment information

- revenues (internal and external);
- EBITDA;
- current operating income;
- depreciation and amortization;
- capital employed;
- capital expenditure.

Geographical information

- revenues;
- capital employed.

Operating segments

- Energy France;
- Energy Benelux & Germany;
- Energy Europe;
- Energy International;
- Global Gas & LNG;
- Infrastructures;
- Energy Services;
- Environnement;

IAS 23 – Borrowing Costs

The revision to this standard issued in 2007 eliminates the option of expensing borrowing costs.

The application of IAS 23 (revised in 2007) has no impact on the consolidated financial statements as the Group has always applied the allowed alternative treatment whereby borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized as part of the cost of that asset.

1.1.3 IFRS standards and IFRIC interpretations effective after 2008 that the Group has elected not to early adopt in 2008

The impact resulting from the application of these standards and interpretations is currently being assessed.

- Revised IAS 1 (2007) – Presentation of Financial Statements;
- Revised IFRS 3 – Business Combinations (phase 2) [(1)];
- Revised IAS 27 – Consolidated and Separate Financial Statements [(1)];
- Amendment to IAS 32 – Puttable Instruments and Obligations Arising on Liquidation [(1)];
- Amendment to IAS 39 – Exposures Qualifying for Hedge Accounting [(1)];
- Amendment to IFRS 2 – Vesting Conditions and Cancellations;
- Amendment to IFRS 1 – Investments in Subsidiaries, Jointly Controlled Entities and Associates;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate [(1)];
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation [(1)];
- IFRIC 17 – Distributions of Non-cash Assets to Owners [(1)];
- In May 2008, the IASB published a first series of amendments to its standards ("Annual Improvements to IFRS") with the aim of eliminating certain inconsistencies and clarifying the wording

(3) Endorsed by the European Union in December 2008 and mandatorily applicable in the European Union to financial periods beginning on or after December 31, 2008.

of the standards. Specific transitional provisions are provided for each amendment.

1.1.4 Reminder of 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 statements are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within consolidated equity at January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.2 Measurement basis

The consolidated financial statements have been prepared using the historical cost convention, except for some financial instruments measured at fair value in conformity with IAS 39.

1.3 Use of judgments and estimates

The crisis which has been raging across financial markets over the last 15 months has prompted the Group to step up its risk oversight procedures and include an assessment of risk – particularly counterparty risk – in pricing its financial instruments. The Group's estimates, business plans and discount rates used for impairment tests and for calculating provisions take into account the crisis conditions and the resulting extreme market volatility.

1.3.1 Estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, and contingent assets and liabilities at the balance sheet date, and revenues and expenses reported during the period.

Due to uncertainties inherent in the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The main estimates used in preparing the Group's consolidated financial statements relate chiefly to:

- measurement of the fair value of Gaz de France assets and liabilities within the scope of the business combination. Fair value is calculated based on analyses carried out by an independent appraiser;
- measurement of the recoverable amount of property, plant and equipment and intangible assets (see section 1.4.4 and 1.4.5);
- measurement of provisions, particularly for nuclear waste processing and storage, dismantling obligations, disputes, pensions and other employee benefits (see section 1.4.15);
- financial instruments (see section 1.4.11);
- un-metered revenues;
- measurement of tax loss carry-forwards assets.

1.3.1.1 Measurement of the fair value of Gaz de France assets acquired and liabilities assumed

The key assumptions used to measure the fair value of the Gaz de France assets acquired and liabilities assumed notably include values assigned to the regulated asset base for regulated activities, estimated future oil and gas prices, changes in the euro/dollar exchange rate, the market outlook for the measurement of future cash flows, and the applicable discount rate.

These assumptions reflect Management's best estimates.

1.3.1.2 Recoverable amount of property, plant and equipment and intangible assets

The recoverable amount of 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. 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 expenses already booked.

1.3.1.3 Estimates of provisions

Parameters having a significant influence on the amount of provisions, and particularly, but not solely, those relating to nuclear power generation sites, 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 Group at the current time.

To the Group's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Further, the Group is not aware of any developments that are likely to have a material impact on the provisions booked.

1.3.1.4 Pensions and other employee benefit obligations

Pension commitments and other employee benefit obligations are measured on the basis of actuarial assumptions. The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any changes in these assumptions may have a material impact on the resulting calculations.

1.3.1.5 Financial instruments

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a material impact on the resulting calculations.

1.3.1.6 Revenues

Revenues generated from types of customers whose energy consumption is metered during the accounting period, particularly customers supplied with low-voltage electricity or low-pressure gas, are estimated at the balance sheet date based on historical data, consumption statistics and estimated selling prices. Network sales have become more difficult to calculate since the deregulation of the Belgian energy market in view of the larger number of grid operators. The Group is allocated a certain volume of energy transiting through the networks by the grid managers. The final allocations are often only known several months down the line, which means that revenue figures are only an estimate. However, the Group has developed measuring and modeling tools allowing it to estimate revenues with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the resulting revenues can be considered as not material. In France, delivered unbilled natural gas ("gas in the meter") is calculated using a method factoring in average energy sale prices and historical consumption data. The average price used takes account of the category of customer and the age of the delivered unbilled "gas in the meter". These estimates fluctuate according to the assumptions used to determine the portion of unbilled revenues at year-end.

1.3.1.7 Measurement of tax loss carry-forward assets

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that taxable profit will be available against which the tax loss carry-forwards can be utilized. Estimates of taxable profits and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan.

1.3.2 Judgments

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions when the effective IFRS standards and interpretations do not specifically deal with related accounting issues.

In particular, the Group exercised its judgment in determining the classification of certain Gaz de France assets and liabilities resulting from the business combination, the accounting treatment applicable to concession contracts, the classification of arrangements which contain a lease, the recognition of acquisitions of minority interests, and the identification of commodity purchase and sale "own use" contracts as defined by IAS 39.

In accordance with IAS 1, the Group's current and non-current assets and liabilities are shown separately on the consolidated balance sheet. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the balance sheet date are classified as current, while all other items are classified as non-current.

1.4 Significant accounting policies

1.4.1 Scope and methods of consolidation

The consolidation methods used by the Group consist of the full consolidation method, the proportionate consolidation method and the equity method:

- 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 recognizes 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 analyzes what type of control exists on a case-by-case basis, taking into account the situations illustrated in IAS 27, 28 and 31.

The special purpose entities set up in connection with the Group's securitization programs that are controlled by the Group are consolidated in accordance with the provisions of IAS 27 concerning consolidated financial statements and the related interpretation SIC 12 concerning the consolidation of special purpose entities.

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 statements.

1.4.2 Foreign currency translation methods

1.4.2.1 Presentation currency of the consolidated financial statements

The Group's consolidated financial statements are presented in euros (€), which is its functional currency.

1.4.2.2 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.

1.4.2.3 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 balance sheet 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 recognized at the historical cost applicable at the date of the transaction.

1.4.2.4 Translation of the financial statements of subsidiaries with a functional currency other than the euro (the presentation currency)

The balance sheets of these subsidiaries are translated into euros at the official year-end exchange rates. Income statement and cash flow statement 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" within equity.

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 under equity 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 January 1, 2004, the Group applies the purchase method as defined in IFRS 3, which consists in recognizing 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 recognize 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 amortization 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 recognized 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 recognized in equity.

In the absence of specific IFRS guidance addressing acquisitions of minority interests, the Group continues not to recognize 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 recognized immediately in the consolidated income statement.

Goodwill relating to associate companies is recorded under "Investments in associates".

Measurement of goodwill

Goodwill is not amortized 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) which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in section 1.4.8 "Recoverable amount of property, plant and equipment and intangible assets".

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 capitalized when the asset recognition criteria set out in IAS 38 are met. Capitalized development costs are amortized over the useful life of the intangible asset recognized. In view of the Group's activities, capitalized development costs are not material.

Other internally-generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession contracts or public service contracts;
- customer portfolios acquired on business combinations;
- power station capacity rights: the Group helped finance the construction of certain nuclear power stations operated by third parties and in consideration received the right to purchase a share of the production over the useful life of the assets. These rights are amortized over the useful life of the underlying assets, not to exceed 40 years;
- surface and underground water drawing rights, which are not amortized as they are granted indefinitely;
- concession assets;
- the GDF Gaz de France brand and gas supply contracts acquired as part of the business combination with Gaz de France in 2008..

Intangible assets are amortized on a straight-line basis over the following useful lives (in years):

	Useful life	
	Minimum	Maximum
Concession rights	10	65
Customer portfolios	10	40
Other intangible assets	1	40

Some intangible assets with an indefinite useful life such as trademarks and water drawing rights are not amortized.

1.4.5 Property, plant and equipment

1.4.5.1 Initial recognition and subsequent measurement

Items of property, plant and equipment are recognized 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 balance sheet at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognized 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 capitalized as part of the cost of that asset.

Cushion gas

“Cushion” gas injected into underground storage facilities is essential for ensuring that reservoirs can be operated effectively, and is therefore inseparable from these reservoirs. Unlike “working” gas which is included in inventories, cushion gas is reported in property, plant and equipment. It is measured at average purchase price regardless of its source, plus regasification, transportation and injection costs.

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
Plant and equipment		
• Energy		
Storage - Production - Transport - Distribution	5	60
Installation - Maintenance	3	10
Hydraulic plants and equipments	20	65
• Environment	2	70
Other property, plant and equipment	2	33

The range of useful lives is due to the diversity of the assets in each category. The minimum periods relate to smaller equipment and furniture, while the maximum periods concern network infrastructures and storage facilities. In accordance with the law of January 31, 2003 adopted by the Belgian Chamber of Representatives with respect to the gradual phase-out of nuclear energy for the industrial production of electricity, the useful lives of nuclear power stations were reviewed and adjusted prospectively to 40 years as from 2003.

Fixtures and fittings relating to the hydro plant operated by the Group are depreciated over the shorter of the contract term and useful life of the assets, taking into account the renewal of the concession period if such renewal is considered to be reasonably certain.

Cushion gas is depreciated on a straight-line basis over a period of 60 years.

1.4.6 Assets relating to the exploration and production of mineral resources

The Group applies IFRS 6 – Exploration for and Evaluation of Mineral Resources.

Geological and geophysical costs are expensed in the year in which they are incurred.

Exploration costs are recognized as construction-in-progress before the confirmation of the technical feasibility and commercial viability of extracting resources. Exploratory drilling costs are initially capitalized when the following two conditions are met:

- there has been sufficient reserves found to justify completion as a producing well if the required capital expenditure is made;
- the Group has made significant progress in determining that reserves exist and that the project is technically viable. This progress is assessed based on criteria such as whether the any additional exploratory work (drilling, seismic studies or other significant surveys) is underway or firmly planned for the near future. Progress is also assessed based on any expenses incurred in conducting development studies and on the fact that the Group may be required to wait for the relevant government or third party authorizations for the project, or for available transport capacity or treatment capacity at existing facilities.

In accordance with the "successful efforts" method, when the exploratory phase has resulted in proved, commercially viable reserves, the related costs are reported in property, plant and equipment and depreciated over the period during which the reserves are extracted. Otherwise, the costs are expensed as incurred.

Depreciation begins when the oil field is brought into production.

Production assets including site rehabilitation costs are depreciated using the unit of production method (UOP) in proportion to the depletion of the oil field, and based on proven developed reserves.

1.4.7 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 November 30, 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. The Group decided to early adopt the provisions of this interpretation, which came into force in 2008.

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 grantor is contractually obliged to offer these services to the public (this criteria must be met for the arrangement to qualify as a concession);
- 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. In practice, the financial asset model is mainly used to account for BOT (Build, Operate and Transfer) contracts entered into with local authorities for public services such as wastewater treatment and household waste incineration.

Pursuant to these principles:

- infrastructure to which the operator is given access by the grantor of the concession at no consideration is not recognized in the consolidated balance sheet;
- start-up capital expenditure is recognized 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 recognized 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 recognized from the outset, with a corresponding adjustment to concession liabilities,
  - under the financial asset model, the amount receivable from the grantor is recognized 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 recognized 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 recognized 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 recognized as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realization.

The costs are calculated on a case-by-case basis based on the obligations associated with each arrangement.

Other concessions

Concession infrastructures that does not meet the requirements of IFRIC 12 are presented as property, plant and equipment.

This is the case of the distribution of gas in France. The related assets are recognized in accordance with IAS 16, since GrDF operates its network under long-term concession arrangements which are, for most of them, renewed upon expiry pursuant to French law no. 46-628 of April 8, 1946.

1.4.8 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 amortized 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 and US dollar exchange rates,
- carrying amount of an asset exceeding its regulated asset base;

• internal sources of information:

- evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule,
- worse-than-expected performance,
- fall in resources for Exploration & Production activities.

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/amortization) had no impairment loss been recognized 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 and a terminal value. Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed the inflation rate.

Discount rates 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 balance sheet date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under “Impairment”.

1.4.9 Leases

The Group holds assets for its various activities under lease contracts.

These leases are analyzed 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 specialized nature; and (v) the present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

1.4.9.1 Accounting for finance leases

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognized 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.

1.4.9.2 Accounting for operating leases

Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term.

1.4.9.3 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 recognized 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;
- certain contracts with industrial customers relating to assets held by the Group.

1.4.10 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable 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.

Nuclear fuel purchased is consumed in the process of producing electricity over a number of years. The consumption of this nuclear fuel inventory is recorded based on estimates of the quantity of electricity produced per unit of fuel.

Gas inventories

Gas injected into underground storage facilities includes working gas which can be withdrawn without adversely affecting the operation of the reservoir, and cushion gas which is inseparable from the reservoirs and essential for their operation (see section 1.4.5 concerning property, plant and equipment).

Working gas is classified in inventory and measured at average purchase cost upon entering the transportation network regardless of its source, including any regasification costs.

Group inventory outflows are valued using the weighted average unit cost method.

An impairment loss is recognized when the net realizable value of inventories, representing the selling price less costs directly and indirectly attributable to distribution, is lower than their weighted average cost.

Greenhouse gas emissions rights

Under European Directive 2003/87/EC establishing a greenhouse gas (GHG) emissions allowance trading scheme within the European Union, several of the Group's industrial sites were granted GHG emission rights free of charge. Under the Directive, each year the sites concerned have to surrender a number of allowances equal to the total emissions from the installations during the previous calendar year. Therefore, the Group may have to purchase emissions allowances on pollution rights markets in order to cover any shortfall in the allowances required for surrender.

As there are no specific rules under IFRS dealing with the accounting treatment of GHG emissions allowances, the Group decided to apply the following principles:

- emission rights are classified as inventories, as they are consumed in the production process;
- emission rights granted free of charge are recorded in the balance sheet at a value of nil;
- emission rights purchased on the market are recognized at acquisition cost.

The Group records a liability at year-end in the event that it does not have enough emission rights to cover its GHG emissions during the period. This liability is measured at the market value of the allowances required to meet its obligations at year-end.

1.4.11 Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

1.4.11.1 Financial assets

Financial assets comprise available-for-sale securities, loans and receivables carried at amortized 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 balance sheet 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 balance sheet 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 equity, 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 recognized in income under "Impairment". Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income.

Loans and receivables at amortized 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 balance sheet date, they are measured at amortized 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. This item also includes amounts due from customers under construction contracts.

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 section 1.4.12). The financial assets are measured at fair value at the balance sheet date and changes in fair value are recorded in the consolidated income statement.

1.4.11.2 Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments, capital renewal and replacement obligations and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated balance sheet. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the balance sheet date;
- financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date;
- financial liabilities held primarily for trading purposes;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item;
- all commodity trading derivatives not qualifying as hedges.

Measurement of borrowings and other financial liabilities

Borrowings and other financial liabilities are measured at amortized 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 amortized 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 amortized cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value taken to income.

Put options on minority stakes

Other financial liabilities primarily include put options granted by the Group to minority interests.

As no specific guidance is provided by IFRS, the Group has adopted the following accounting treatment for these commitments:

- when the put option is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in minority interests. When the value of the put option is greater than the carrying amount of the minority interests, the difference is recognized as goodwill;
- at each balance sheet date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to minority interests result in an increase in goodwill;
- in the consolidated income statement, minority interests are allocated their share in income. In the consolidated balance sheet, the share in income allocated to minority interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

In the case of a fixed-price put, the liability corresponds to the present value of the exercise price.

In the case of a fair value or variable-price put, the liability is measured based on estimates of the fair value at the consolidated balance sheet date or contractual conditions applicable to the exercise price based on the latest available information.

The difference between the amount of the liability and the amount of minority interests is allocated in full to goodwill, with no adjustment to fair value, in line with the method used by the Group to account for acquisitions of minority interests.

1.4.11.3 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 analyzes 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 realizing financial arbitration;
- 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.

The main Group 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 income;
- 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 recognized in the consolidated balance sheet at fair value, with changes in fair value recognized in income (except when the embedded derivative is part of a designated hedging relationship).

Hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the consolidated balance sheet 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 recognized asset or liability, such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognized firm commitment denominated in a foreign currency.

The gain or loss from remeasuring the hedging instrument at fair value is recognized 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 recognized in income even if the hedged item is in a category in respect of which changes in fair value are recognized through equity. 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 recognized 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 recognized directly in equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity 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 recognized 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 recognized 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 recognized directly in equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity 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. Methods based on an analysis of statistical correlations between historical price data are also used.

1.4.11.4 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 recognized 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 recognized in the consolidated balance sheet in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Fair value measurement

The fair value of listed instruments is determined by reference to the market price. The fair value of financial instruments not listed on an active market is based on the market value of listed instruments of a similar nature and maturity.

The fair value of other unlisted financial instruments for which there is no active market is determined based on valuation techniques such as option pricing models or the discounted cash flow method.

These models 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;
- the fair value of forward foreign exchange contracts and currency swaps is calculated by reference to current prices for contracts with similar maturities by discounting the future cash flow spread (difference between the forward exchange rate under the contract and the forward exchange rate recalculated in line with the new market conditions applicable to the nominal amount);
- the fair value of currency and interest rate options is calculated using option pricing models;
- 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;
- exceptionally, for complex contracts negotiated with independent financial institutions, the Group uses the values established by its counterparties.

1.4.12 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”.

1.4.13 Treasury shares

Treasury shares are recognized at cost and deducted from equity. Gains and losses on disposals of treasury shares are recorded directly in equity and do not therefore impact income for the period.

1.4.14 Share-based payment

Under IFRS 2, share-based payments made in consideration for services provided are recognized as personnel costs. These services are measured at the fair value of the instruments awarded.

Share-based payments may involve equity-settled or cash-settled instruments.

Equity-settled instruments

1.4.14.1 Stock option plans

Options granted by the Group to its employees are measured at the grant date using a binomial pricing model, which takes into account the characteristics of the plan concerned (exercise price, exercise period), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period, offset through equity.

1.4.14.2 Shares granted to employees

The fair value of bonus share plans is estimated by reference to the share price at the grant date, taking into account the fact that no dividends are payable over the vesting period, and based on the estimated turnover rate for the employees concerned and the probability that the Group will meet its performance targets. The fair value measurement also takes into account the non-transferability period associated with these instruments. The cost of shares granted to employees is expensed over the vesting period of the rights and offset against equity.

1.4.14.3 Employee share purchase plans

The Group's corporate savings plans enable employees to subscribe to shares at a lower-than-market price. The fair value of instruments awarded under employee share purchase plans is estimated at the grant date based on this discount awarded to employees and non-transferability period applicable to the shares subscribed. The cost of employee share purchase plans is recognized in full and offset against equity.

Cash-settled instruments

In some countries where local legislation prevents the Group from offering employee share purchase plans, the instruments awarded consist of share appreciation rights (SARs). SARs are settled in cash. Their fair value is expensed over the vesting period of the rights, with an offsetting entry recorded in employee-related liabilities.

Changes in the fair value of the liability is taken to income for each period.

1.4.15 Provisions

1.4.15.1 Provisions for post-employment benefit obligations and other long-term employee benefits

Depending on the laws and practices in force in the countries where GDF SUEZ 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 recognized 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 unrecognized 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".

As regards post-employment benefit obligations, the Group has elected to use the option available under IAS 19 and to discontinue the corridor method.

Actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments are henceforth recognized directly in equity and are shown in a statement of recognized income and expense (SORIE). 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, continue to be recognized immediately in income.

The interest cost in respect of pensions and other employee benefit obligations is presented as a financial expense.

1.4.15.2 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.

A provision for restructuring costs is recorded when the general criteria for setting up a provision are met, i.e., when the Group has a detailed formal plan relating to the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions are provisions for nuclear waste reprocessing and storage, provisions for dismantling facilities and provisions for site restoration costs. 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 recognized 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 recognized in expenses for the period.

1.4.16 Revenues

Group revenues (as defined by IAS 18), are mainly generated from the following:

- energy sales;
- rendering of services;
- lease and construction contracts.

Revenues on sales of goods are recognized on delivery, i.e., when the significant risks and rewards of ownership are transferred to the buyer. For services and construction contracts, revenues are recognized using the percentage-of-completion method. In both cases, revenues are recognized 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.

1.4.16.1 Energy sales

These revenues primarily include sales of electricity and gas, transport and distribution fees relating to services such as electricity and gas distribution network maintenance, and heating network sales.

They are recognized when a formal contract is signed with the other party to the transaction.

Part of the price received by the Group under certain long-term energy sales contracts is fixed, rather than being based on volumes. The fixed amount changes over the term of the contract. In accordance with IAS 18, revenues from these contracts are recognized on a straight-line basis because, in substance, the fair value of the services rendered does not vary from one period to the next.

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 optimizing production assets and fuel purchase/energy sale portfolios, is recognized in revenues based on the net amount.

1.4.16.2 Rendering of services

Environment services

Water services

Revenues generated by water distribution are recognized based on volumes delivered to customers, either specifically metered and invoiced or estimated based on the output of the supply networks.

For sanitation services and wastewater treatment, either the price of the services is included in the water distribution invoice or it is specifically invoiced to the local authority or industrial customer concerned.

Commission fees received from the grantors of concessions are recorded as revenues.

Waste services

Revenues arising from waste collection are generally recognized based on the tonnage collected and the service provided by the operator.

Revenues from other forms of treatment (principally sorting and incineration) are recognized based on volumes processed by the operator and the incidental revenues generated by recycling and reuse, such as the sale of paper, cardboard, glass, metals and plastics for sorting centers, and the sale of electricity and heat for incinerators.

Energy services

These revenues relate mainly to installation, maintenance and energy services, and are recognized in accordance with IAS 18, which requires services to be accounted for on a percentage-of-completion basis.

1.4.16.3 Lease and construction contracts

Revenues from construction contracts are determined using the percentage-of-completion method and more generally according to the provisions of IAS 11. Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the transaction, or on the physical progress of the contract based on factors such as contractually defined stages.

Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.4.17 Current operating income

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance". This complies with CNC Recommendation 2004-R02 on the income statement, cash flow statement, and statement of changes in equity. 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 GDF SUEZ, 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 recognized through income in IAS 39 – can be material and difficult to predict, they are presented on a separate line of the consolidated income statement.

1.4.18 Consolidated cash flow statement

The consolidated cash flow statement 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. This classification is consistent with the Group's internal organization, where debt and cash are managed centrally by the treasury department.

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 cash flow statement.

1.4.19 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 recognized 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 balance sheet date. However, under the provisions of IAS 12, no deferred taxes are recognized 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 recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognized 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 balance sheet 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.

1.4.20 Earnings per share

Basic earnings per share are calculated by dividing net income Group share for the year by the weighted average number of ordinary shares outstanding during the year. The average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year.

The weighted average number of shares and earnings per share are adjusted to take into account the impact of the conversion or exercise of any dilutive potential ordinary shares (options, warrants and convertible bonds, etc.).

1.4.21 Financial statements published in the US

The Group files Form 20-F with the US Securities and Exchange Commission (SEC). This document is available as from its registration date from the Group's head office or at http://www.gdfsuez.com

NOTE 2 MAIN CHANGES IN GROUP STRUCTURE

2.1 Merger of Gaz de France and SUEZ Description of the transaction

The merger between SUEZ and Gaz de France was announced in February 2006 and became effective on July 22, 2008 following the signature of the draft Merger Agreement on June 5, 2008, its approval by the extraordinary shareholders' meetings of both groups on July 16, 2008 and the fulfillment of the last conditions precedent provided for in the Merger Agreement. The transaction consisted of a merger-takeover of SUEZ by Gaz de France, based on an exchange ratio of 21 Gaz de France shares for 22 SUEZ shares. The merger-takeover was preceded by a certain number of transactions aimed at allowing SUEZ to distribute to its shareholders 65% of the shares comprising the capital of SUEZ Environnement. This transaction was accounted for as a dividend payment with an increase in minority interests, and therefore had no impact on the new GDF SUEZ Group's consolidated equity. Following the spin-off, GDF SUEZ holds a 35% ownership interest in SUEZ Environnement Company and retains de facto control through a shareholders' agreement entered into by GDF SUEZ and the main shareholders of the former SUEZ Group, together representing 47% of the outstanding shares of SUEZ Environnement Company.

For accounting purposes, the merger is treated as the "reverse" acquisition of Gaz de France by SUEZ. Although from a legal standpoint and for operational purposes the transaction is treated as the merger of SUEZ into Gaz de France, an assessment of the criteria set out in IFRS 3 – Business Combinations led the new Group to identify SUEZ as the acquirer and Gaz de France as the acquiree in the accounts.

2.1.1 Measurement and allocation of the cost of the business combination

The business combination was recognized as of July 22, 2008, which is the effective date of the merger.

Gaz de France issued 1,208 million shares in consideration of the 1,309 million shares making up the share capital of SUEZ, after the deduction of 36 million treasury shares held by SUEZ and the 8 million SUEZ shares held by Gaz de France. Following the issuance of these 1,208 million Gaz de France shares, the shareholders of the former SUEZ entity held approximately 56% of the share capital of the new Group (1,208 million of the 2,156 million outstanding shares), while the shareholders of the former Gaz de France entity held approximately 44%.

Since this transaction was classified as a reverse acquisition, the cost of the business combination is deemed to have been incurred by SUEZ (i.e., the acquirer for accounting purposes). Accordingly, the number of shares to be issued is determined as the number of new shares that SUEZ would have had to issue to provide the same percentage ownership interest in the new Group to Gaz de France shareholders as that actually obtained in the legal transaction. On this basis, 993 million SUEZ shares would have been issued in order to give Gaz de France shareholders a 44% interest in the new Group.

The cost of the business combination was calculated based on the closing share price on July 22, 2008, which is the effective date of the merger, and was estimated at €39,818 million.

On July 22, 2008, the effective date of the merger, each SUEZ share was exchanged for approximately 0.9545 Gaz de France share (i.e. 22 SUEZ shares for 21 Gaz de France shares).

Total costs incurred by SUEZ and directly attributable to the transaction amounted to €103 million before tax. On July 21, 2008, SUEZ held 10 million Gaz de France shares with an historical cost of €272 million.

The cost of the business combination calculated on the effective date of the merger can be analyzed as follows:

Number of shares making up the share capital of SUEZ *(in millions)* at July 21, 2008 (after deduction of the treasury shares held by SUEZ and the SUEZ shares held by Gaz de France at that date)	1,265
Percentage ownership interest of the new Group held by the owners of Gaz de France as a result of the transaction	44%
Total number of SUEZ shares *(in millions)* that would have been issued to provide Gaz de France shareholders with the same percentage ownership interest in the new Group as determined above	993
Share price on the effective date of the merger *(in euros)*	40.09
Purchase price *(in millions of euros)*	**39,818**
Estimated costs directly attributable to the business combination *(in millions of euros)*	103
Historical cost of Gaz de France shares held by SUEZ *(in millions of euros)*	272
TOTAL COST OF THE BUSINESS COMBINATION *(IN MILLIONS OF EUROS)*	**40,193**

In accordance with IFRS 3, the Group must complete the allocation of the cost of the business combination to Gaz de France's assets, liabilities and contingent liabilities within 12 months of the acquisition date. Given the scale and complexity of the transaction, the allocation recorded at December 31, 2008 and presented below were made on a provisional basis and may be revised in order to reflect the final determination of the fair values.

In millions of euros	Carrying amount in acquiree's balance sheet	Fair value
Non-current assets		
Intangible assets, net (*)	1,313	4,922
Goodwill	1,825	0
Property, plant and equipment, net (*)	23,388	37,094
Available-for-sale securities	797	828
Loans and receivables carried at amortized cost	809	797
Derivative instruments	1,574	1,646
Investments in associates	1,182	1,780
Other non-current assets	320	323
Deferred tax assets	76	92
Current assets		
Loans and receivables carried at amortized cost	385	382
Derivative instruments	4,730	4,750
Trade and other receivables	7,532	7,499
Inventories	2,000	2,206
Other current assets	1,678	1,649
Financial assets at fair value through income	150	150
Cash and cash equivalents	2,946	2,946
Non-current liabilities		
Provisions	7,347	3,801
Long-term borrowings	4,235	4,210
Derivative instruments	1,300	1,318
Other financial liabilities	0	118
Other non-current liabilities	80	80
Deferred tax liabilities	2,707	10,224
Current liabilities		
Provisions	230	1,146
Short-term borrowings	2,064	2,064
Derivative instruments	4,958	4,958
Trade and other payables	6,055	6,052
Other current liabilities	3,643	3,671
Minority interests	575	620
NET ASSETS ACQUIRED	**17,511**	**28,803**
Cost of the business combination		40,193
PROVISIONAL GOODWILL		**11,390**

(*) Includes the reclassification of €5,280 million in concession assets from intangible assets to property, plant and equipment, as the items concerned have been accounted for under IAS 16 in the GDF SUEZ financial statements (see Note 1.4.7).

The Group allocated the cost of the business combination to the following items:

- intangible assets (customer relationships, brands and gas supply contracts);
- property, plant and equipment (gas distribution assets in France, exploration and production assets, as well as transmission networks, LNG terminals, storage facilities and real estate assets).

The estimated amount of provisions was revised in line with the principles of IFRS 3. The provision for benefits in kind in the form of reduced energy prices was remeasured to fair value, and several provisions were recognized for contingent liabilities resulting from disputes and proceedings in progress at the date of the merger (see Note 17). As indicated in Note 1.4.7, gas distribution assets in France were recognized as property, plant and equipment in accordance with IAS 16, since GrDF operates its network under long-term concession arrangements which are virtually all renewable upon expiration pursuant to French law no. 46-628 of April 8, 1946. Having examined the specific legal and economic issues relating to this activity, the Group has concluded that it exercises control in substance over the concession infrastructure. Consequently, no provision for replacement of replaceable assets has been accounted.

For accounting purposes, fair value allocation automatically requires adjustments to deferred tax liabilities.

The table below purposes, fair value allocation automatically requires adjustements to deferred tax liabilities :

Concessions	*Cost approach(*) (regulated asset base)*
Property, plant and equipment	
Transmission networks	*Cost approach(*) (regulated asset base)*
LNG terminals	*Cost approach(*) (regulated asset base)*
Storage centers	*Cost approach (amortized replacement cost)*
Exploration & Production	*Revenue approach (discounted cash flows method)*
Real estate	*Market approach*
Intangible assets	
Brands	*Revenue approach (super profits method)*
Marques	*Revenue approach (royalties method)*
Supply contracts	*Revenue (discounted cash flows method) or market value approach*
Equity investments	*Revenue approach (discounted cash flows method)*

(*) Backed up by the discounted cash flows method, which is equivalent to a cost-based approach, based on a discount rate equal to the return on the regulated asset base

Goodwill mainly represents market share, development capacity, and expected synergies in terms of gas supply, non-energy purchases, operating and selling expenses and revenues that cannot be recognized separately in the GDF SUEZ consolidated balance sheet.

The key assumptions used to measure the fair value of the Gaz de France assets acquired and liabilities assumed notably include: values assigned to the regulated asset base where applicable, estimated future oil and gas prices, changes in the euro/dollar exchange rate, the market outlook for the measurement of future cash flows, and the applicable discount rate.

These assumptions reflect Management's best estimates.

2.2 Remedies and other impacts of the Gaz de France-SUEZ merger

As part of the commitments made to the European Commission aimed at obtaining approval for the planned merger, SUEZ and Gaz de France entered into the agreements described below:

- on May 29, 2008, SUEZ entered into an agreement with ENI to sell its 57.25% stake in Distrigas, which trades in natural gas and was included within SUEZ's European Gas & Electricity segment. GDF SUEZ signed the final agreement on October 30, 2008 and Distrigas was derecognized for accounting purposes as of October 1, 2008. The price paid by ENI in November 2008 amounted to €2.7 billion. This amount may be adjusted for additional purchase consideration contingent on the sale of Distrigas & Co.'s natural gas transit activities to Fluxys. In the 2008 consolidated financial statements, the sale of Distrigas results in a disposal gain of €1,738 million and a net decrease of €2.1 billion in net debt;

On October 30, 2008, GDF SUEZ also finalized several agreements with ENI in the gas and electricity sectors:

- sale by ENI of 1,100 MW of virtual power production (VPP) capacity in Italy over a 20-year period for €1.2 billion,
- contribution by ENI of the following supply contracts to GDF SUEZ:
  - a 20-year contract to supply 4 billion m^3 of natural gas per year to Italy, corresponding to approximately half the needs of GDF SUEZ in Italy,
  - a 20-year LNG contract to supply 900 million m^3 of natural gas equivalent per year to the Gulf of Mexico,
  - an option to supply an additional 2.5 billion m^3 per year to Germany over an 11-year period;
- sale by ENI to GDF SUEZ of a group of Exploration & Production assets located in the United Kingdom, the Gulf of Mexico, Egypt, and Indonesia, for €273 million,
- agreement between ENI and GDF SUEZ providing for the sale of the City of Rome natural gas distribution network for €1.1 billion, subject to the approval of the relevant local authorities;

- as part of the restructuring of its 57.25% equity interest in Fluxys (Belgium), on July 3, 2008 SUEZ accepted Ecofin Limited's purchase offer for 12.5% of the share capital of Fluxys. This transaction reduces SUEZ' stake in Fluxys to below 45%, in accordance with the commitments made in this respect to the European Commission. On September 3, 2008, Publigaz exercised its pre-emption right. The sale of 87,804 shares will be made at the price initially agreed with Ecofin Limited (€2,600 per share). On December 31, 2009, GDF SUEZ agreed to sell shares in Fluxys to Publigaz so as to raise Publigaz' interest in Fluxys to 51.28%.

  The parties also agreed to set up Fluxys International to act as the owner of the Zeebrugge terminal. GDF SUEZ will contribute its 5% interest in Interconnector UK Limited to the new company, which will be 60%-owned by GDF SUEZ, 20%-owned by Publigaz and 20%-owned by Fluxys.

The agreements entered into by Gaz de France are described below:

- on June 20, 2008, Gaz de France entered into an agreement with EDF for the sale of its 25.5% interest in the capital of Belgian power producer SPE. The transaction was valued at €515 million, plus an additional purchase consideration subject to the fulfillment of certain commitments made by SUEZ to the Belgian State. In particular, the sale was subject to the waiver by Centrica of its pre-emption right. On July 22, 2008, Centrica gave notice of its intention to exercise its pre-emption right. The sale to Centrica was contingent on the European Commission's approval, which was obtained on January 20, 2009. SPE was therefore sold to Centrica with effect from that date;
- on July 31, 2008 Gaz de France sold Cofathec Coriance to A2A following approval from the European Commission. The consideration paid by A2A amounted to €44.6 million;
- in the second half of 2008, Gaz de France sold its 25% interest in SEGEO to Fluxys.

As part of the commitments made by SUEZ to the Belgian government (Pax Electrica II agreement), on June 12, 2008 SUEZ entered into agreements with SPE to increase that company's share in Belgian energy production. These agreements are subject to a certain number of conditions precedent.

2.3 Pro forma information

If the merger with Gaz de France had taken place on January 1, 2008, the Group's revenues would have totaled €83,053 million, its current operating income €8,561 million, and net income Group share €4,463 million. Pro forma information is provided in the pro forma section of this Reference Document. The contribution of former Gaz de France entities to net income Group share since the acquisition date is €1,332 million.

The other transactions described below did not have a material impact on the consolidated financial statements.

2.4 Other acquisitions in the period

2.4.1 Public tender offer for minority shares in Sociedad General de Aguas de Barcelona (Agbar)

The offer launched by SUEZ, La Caixa and Hisusa for the Aguas de Barcelona shares they did not already own was concluded successfully on January 16, 2008, with the bidding companies gaining control of 90.01% of Agbar's share capital. Upon completion of the offer, Agbar was:

- 66.44%-owned by Hisusa (proportionately consolidated);
- 12.02%-owned by SUEZ Environnement (fully consolidated);
- 11.55%-owned by Criteria (Caixa), a non-Group company.

Consequently, GDF SUEZ holds 45.9% of Agbar's share capital either directly or indirectly, through its stake in Hisusa. Agbar is consolidated using the proportionate method.

In its 2007 financial statements, SUEZ considered that it had granted an irrevocable commitment to minority shareholders and an amount of €918 million was recognized within borrowings, corresponding to the amount payable given an acceptance rate for the transaction of 100%. In light of the number of shares actually acquired, borrowings were reduced by €210 million to €708 million.

2.4.2 Acquisition of Senoko Power

On September 5, 2008, GDF SUEZ 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%-held by GDF SUEZ.

Senoko 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 3,300 MW. The acquisition was carried out for a price of €557 million and Senoko Power was proportionately consolidated with effect from September 1, 2008. The allocation of the cost of the combination to the fair value of the assets acquired, and liabilities or contingent liabilities assumed is currently in progress and will be finalized in 2009.

2.4.3 Acquisition of FirstLight Power Enterprises

On December 29, 2008, GDF SUEZ completed its acquisition of FirstLight Power Enterprises Inc. from Energy Capital Partners. FirstLight owns and operates a portfolio of 15 electrical power plants and is currently building a natural gas unit. These facilities represent a total capacity of 1,538 MW in Massachusetts and Connecticut.

The acquisition was carried out for a price of $959.5 million and FirstLight was fully consolidated with effect from December 31, 2008. The allocation of the cost of the combination to the fair value of the assets acquired and liabilities or contingent liabilities assumed is currently in progress and will be finalized in 2009.

2.4.4 Acquisition of NAM assets

On October 1, 2008, GDF SUEZ acquired a group of Exploration & Production assets situated in the Dutch section of the North Sea from Nederlandse Aardolie Maatschappij BV (NAM), as well as a 30% interest in the NOGAT pipeline on December 31, 2008. The combined transaction was completed for a total consideration of €1,075 million.

2.5 Significant events in 2007

2.5.1 Strategic development in wind power

As part of its policy for developing renewable energy sources, the Group acquired majority interests in Compagnie du Vent in France and Ventus Energy in Canada. These companies have wind power capacity at the research and/or development stage of 6,500 MW and 2,000 MW, respectively.

On November 16, 2007, Electrabel acquired 56.8% of La Compagnie du Vent, France’s leading developer of wind power, for an amount of €421.9 million. After taking into account the minority put, this transaction generated goodwill of €633.9 million. Compagnie du Vent was fully consolidated in the SUEZ Group’s financial statements with effect from December 31, 2007. In 2008, the allocation of the acquisition price to the fair value of the assets acquired and liabilities assumed led to the recognition of €613.9 million in goodwill.

On September 21, 2007, a subsidiary of SUEZ Energy International acquired the entire share capital of Canadian wind developer Ventus Energy, Inc. for €101.3 million, generating €81.2 million in goodwill. Ventus Energy has been fully consolidated in the Group’s financial statements since October 1, 2007, based on a provisional allocation of its acquisition price. Adjustments to the provisional accounting for the business combination were finalized in 2008.

2.5.2 Impacts of the restructuring of the Belgian distribution sector

In accordance with the agreements reached within the scope of the deregulation of the electricity and gas markets in Belgium, Electrabel sold 10.5% of its interest in the inter-municipal companies in the Walloon region and 40% of its interest in the inter-municipal company in the Brussels region. A capital gain representing €66.7 million was recorded in the 2007 consolidated financial statements in view of these transactions.

2.6 Significant events in 2006

2.6.1 Withdrawal from Argentina

The consolidation of Aguas Argentinas was discontinued with effect from March 1, 2006 following the termination of the company’s contract by the Argentine government. As a result of this termination, Aguas Argentinas was placed in judicial administration (concurso preventivo). Its assets had been written down in full in the 2005 financial statements.

2.6.2 Impacts of the restructuring of the Belgian distribution sector

The impacts for Electrabel of the deregulation of the electricity and natural gas markets ordered by the Belgian authorities pursuant to European Directives are described below:

- the deconsolidation of grid operator Electrabel Netten Vlaanderen. In the consolidated balance sheet at December 31, 2005, ENV contributed €856 million to assets and €814 million to liabilities. Its contribution to net income Group share was €19 million;
- the disposal of shareholdings in inter-municipal companies in the Flemish region. Electrabel reduced its shareholdings in Flemish inter-municipal companies to the agreed level of 30% and recognized a capital gain of €236 million in its 2006 accounts;
- the creation of Brussels Network Operations to operate the distribution network, and its subsequent 2006 sale due to the full-scale deregulation of the Brussels energy market as from 2007.

NOTE 3 SEGMENT INFORMATION

3.1 Operating segments

The Group early adopted IFRS 8 – Operating Segments in 2008. In accordance with the provisions of this standard, the operating segments used to present segment information were identified on the basis of internal reports used by the Group's Management Committee to allocate resources to the segments and assess their performance. The Management Committee is the Group's "chief operating decision maker" within the meaning of IFRS 8. The segmentation reflects the new organization put in place following the merger and used for internal reporting purposes. The indicators used for internal reporting purposes may evolve in connection with performance assessment measures put in place. Comparative segment information for 2007 and 2006 has been restated to reflect the segments identified by the Group as of July 22, 2008.

The Group has identified eight segments:

- Energy France – subsidiaries operating in this business segment produce electricity and sell natural gas, electricity and services to private individuals, small business customers and companies in France;
- Energy Benelux & Germany – subsidiaries in this segment produce electricity and/or provide electricity transmission and distribution services to Benelux and Germany;
- Energy Europe – these subsidiaries produce electricity and/or provide electricity transmission and distribution services in Europe (excluding France, Benelux and Germany);
- Energy International – these subsidiaries produce electricity and/or provide electricity transmission and distribution services outside Europe;
- Global Gas & LNG – these subsidiaries supply gas to the Group and sell energy and service packages to key European players;
- Infrastructures – subsidiaries in this segment operate gas and electricity transportation, storage and distribution networks in France and Germany. They also sell access rights to this infrastructure to third parties;
- Energy Services – these subsidiaries provide engineering, installation, maintenance and delegated management services, particularly in relation to electrical and heating facilities, pipeline systems and energy networks;
- SUEZ Environnement – subsidiaries operating in this business segment provide private customers, local authorities and industrial customers with:
  - water distribution and treatment services, notably under concession contracts (water management), and water purification facility design and construction services (turnkey engineering),
  - and waste collection and treatment services including sorting, recycling, composting, landfilling, energy recovery and hazardous waste treatment,

Energy Benelux & Germany, Energy Europe and Energy International are included within the Energy Europe & International branch.

The "Other" line presented in the table below includes contributions from corporate holding companies and entities centralizing the Group's financing requirements. It does not include holding companies acting as business line heads, which are allocated to the segment concerned, but on a temporary basis comprises the contributions of entities falling within the scope of the remedies (essentially the Distrigas group).

The methods used to recognize and measure these segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements. EBITDA and capital employed are reconciled with the consolidated financial statements.

3.2 Key indicators by operating segment

The main relationships between operating segments concern Energy France and Infrastructures, and Global Gas & LNG. The Infrastructures segment's services are provided on the basis of a regulated fee applicable to all network users.

Sales of molecules between Global Gas & LNG and Energy France are carried out based on the application of the supply costs formula used to calculate the regulated rates approved by the French Energy Regulatory Commission (CRE). The difference between the rates determined by decree and the transfer price is assumed by Energy France.

REVENUES

In millions of euros	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total
Energy France	7,297.8	652.4	7,950.2	940.4	163.5	1,104.0	205.2	82.4	287.5
Energy Benelux & Germany	14,164.1	261.6	14,425.7	11,879.0	397.6	12,276.6	10,815.1	290.4	11,105.5
Energy Europe	5,691.1	176.5	5,867.6	2,403.0	21.9	2,424.9	2,471.6	31.5	2,503.1
Energy International	7,472.9	309.5	7,782.4	6,428.1	165.1	6,593.2	6,137.8	114.1	6,251.9
Energy Europe & International	*27,328.2*	*747.5*	*28,075.7*	*20,710.1*	*584.6*	*21,294.7*	*19,424.6*	*435.9*	*19,860.5*
Global Gas & LNG	5,111.7	5,811.4	10,923.1	149.2	0.0	149.2	103.8	(12.4)	91.3
Infrastructures	545.2	2,360.5	2,905.6	127.5	304.3	431.8	111.1	325.0	436.1
Energy Services	13,021.6	130.3	13,151.9	11,265.6	44.0	11,309.6	10,637.1	43.6	10,680.8
SUEZ Environnement	12,351.7	10.7	12,362.4	12,022.2	10.1	12,032.3	11,439.0	4.5	11,443.5
Other	2,267.7	1,252.4	3,520.1	2,260.3	2,024.5	4,284.9	2,368.5	2,258.2	4,626.7
Eliminations		(10,965.2)	(10,965.2)		(3,131.1)	(3,131.1)		(3,137.3)	(3,137.3)
TOTAL REVENUES	**67,923.8**	**0.0**	**67,923.8**	**47,475.4**	**(0.0)**	**47,475.4**	**44,289.2**	**(0.0)**	**44,289.2**

EBITDA

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy France	285.1	316.2	41.7
Energy Benelux & Germany	1,751,7	1,902.0	1,707.5
Energy Europe	571.6	388.5	421.4
Energy International	1,763,2	1,580.0	1,462.4
Energy Europe & International	*4,086,5*	*3,870.4*	*3,591.2*
Global Gas & LNG	1,481,6	(14.7)	(23.2)
Infrastructures	1,323,2	168.8	170.9
Energy Services	838.9	832.4	609.4
SUEZ Environnement	2,101,5	2,060.9	1,942.9
Other	(63.4)	199.0	226.0
TOTAL EBITDA	**10,053.5**	**7,433.0**	**6,559.0**

CURRENT OPERATING INCOME

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy France	119.7	211.4	18.2
Energy Benelux & Germany	1,186.7	1,578.7	1,315.4
Energy Europe	327.7	234.2	279.8
Energy International	1,373.0	1,218.6	1,095.7
Energy Europe & International	*2,887.4*	*3,031.5*	*2,690.9*
Global Gas & LNG	849.9	(14.8)	3.4
Infrastructures	907.9	155.7	156.5
Energy Services	547.5	555.0	392.4
SUEZ Environnement	1,083.6	1,076.6	1,044.1
Other	(172.6)	159.9	191.0
TOTAL CURRENT OPERATING INCOME	**6,223.6**	**5,175.4**	**4,496.5**

DEPRECIATION AND AMORTIZATION

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy France	30.7	(104.7)	(23.8)
Energy Benelux & Germany	(381.1)	(353.3)	(362.7)
Energy Europe	(233.9)	(150.0)	(129.2)
Energy International	(376.6)	(360.5)	(362.6)
Energy Europe & International	*(991.6)*	*(863.8)*	*(854.6)*
Global Gas & LNG	(794.0)	(0.1)	(0.2)
Infrastructures	(535.3)	(22.0)	(16.9)
Energy Services	(256.1)	(214.9)	(209.6)
SUEZ Environnement	(792.6)	(791.0)	(745.2)
Other	(43.2)	(19.8)	(24.4)
TOTAL DEPRECIATION AND AMORTIZATION	**(3,382.2)**	**(2,016.3)**	**(1,874.7)**

INCOME FROM OPERATING ACTIVITIES

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy France	97.0	220.2	10.8
Energy Benelux & Germany	1,410.0	1,789.5	1,758.2
Energy Europe	161.9	242.1	263.6
Energy International	1,363.5	1,093.3	1,106.3
Energy Europe & International	*2,935.3*	*3,124.9*	*3,128.1*
Global Gas & LNG	1,331.3	(14.8)	3.5
Infrastructures	878.4	155.8	156.5
Energy Services	510.9	548.3	455.7
SUEZ Environnement	1,063.3	1,200.4	1,142.8
Other	862.6	173.3	470.2
TOTAL INCOME FROM OPERATING ACTIVITIES	**7,678.8**	**5,408.0**	**5,367.6**

CAPITAL EMPLOYED

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec .31, 2006
Energy France	8,156.6	2,321.3	1,592.7
Energy Benelux & Germany	12,256.7	10,431.6	9,706.5
Energy Europe	7,918.4	2,554.9	2,649.9
Energy International	12,086.1	7,243.2	7,207.2
Energy Europe & International	*32,261.2*	*20,229.7*	*19,563.7*
Global Gas & LNG	8,371.3	106.3	97.8
Infrastructures	29,978.6	526.7	328.8
Energy Services	2,417.0	1,983.1	1,735.8
SUEZ Environnement	10,264.7	9,203.9	8,327.8
Other	330.6	2,169.3	880.5
TOTAL CAPITAL EMPLOYED	**91,779.9**	**36,540.2**	**32,527.0**

CAPITAL EXPENDITURE (CAPEX)

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy France	(817.8)	(145.4)	(563.5)
Energy Benelux & Germany	(1,065.9)	(823.2)	(488.3)
Energy Europe	(1,543.1)	(575.8)	(265.7)
Energy International	(3,319.1)	(840.6)	(313.0)
Energy Europe & International	*(6,746.0)*	*(2,385.1)*	*(1,630.5)*
Global Gas & LNG	(1,865.6)	(1.2)	6.1
Infrastructures	(1,228.1)	(140.6)	(180.9)
Energy Services	(433.9)	(414.2)	(308.5)
SUEZ Environnement	(2,675.8)	(1,755.9)	(1,505.5)
Other	(718.8)	(1,432.8)	(243.6)
TOTAL CAPITAL EXPENDITURE	**(13,668.2)**	**(6,129.9)**	**(3,862.9)**

3.3 Key indicators by geographical area

The amounts set out below are analyzed by:

- destination of products and services sold for revenues;
- geographic location of consolidated companies for capital employed.

	Revenues			Capital employed		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
France	20,767.9	11,932.5	10,808.9	44,700.8	6,000.1	4,721.4
Belgium	13,900.2	11,758.8	11,217.5	11,990.4	9,919.0	9,077.8
Other EU countries	20,890.5	13,467.4	12,341.1	19,681.4	11,303.8	9,573.9
Other European countries	930.2	756.5	706.7	1,118.2	158.8	139.0
North America	4,843.6	4,189.3	4,184.4	6,259.0	3,889.8	4,347.8
Asia-Pacific and Middle East	3,157.4	2,445.7	2,496.5	3,669.4	2,501.4	2,175.9
South America	2,623.5	2,205.8	1,862.7	4,297.9	2,651.5	2,365.0
Africa	810.4	719.4	671.3	62.8	115.9	126.2
TOTAL	**67,923.7**	**47,475.4**	**44,289.2**	**91,779.9**	**36,540.2**	**32,527.0**

3.4 Reconciliation of EBITDA

Reconciliation of EBITDA with current operating income

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Current operating income	6,223.6	5,175.4	4,496.5
• Depreciation, amortization and provisions	(3,713.5)	(1,912.7)	(1,816.6)
• Share-based payment (IFRS 2)	(184.6)	(110.7)	(31.6)
• Net disbursements under concession contracts	68.2	(234.2)	(214.2)
EBITDA	**10,053.5**	**7,433.0**	**6,559.0**

Reconciliation of EBITDA with gross operating income in 2007 and 2006

In 2007 and 2006, SUEZ used and reported a “gross operating income” indicator. This differs in a number of respects from the EBITDA indicator used by the new Group. The reconciliation between gross operating income and EBITDA for 2007 and 2006 is as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006
Gross operating income (previous definition)	7,964.7	7,083.3
(+) Depreciation, amortization and provisions for long-term employee benefits	126.6	132.7
(-) Financial income excluding interest	(200.4)	(284.3)
(-) Share in net income of associates	(457.9)	(372.7)
EBITDA	**7,433.0**	**6,559.0**

3.5 Reconciliation of capital employed

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Capital employed (a)			
(+) Property, plant and equipment and intangible assets	74 173,7	26 094,8	24 490,9
(+) Goodwills nets	27 510,1	14 902,8	13 404,6
(+) Available-for-sale securities (excl. changes in fair value and marketable securities)	2 540,5	2 688,1	1 725,1
(+) Other receivables carried at amortized cost	3 714,8	2 521,6	2 564,7
(+) Share in net income of associates	3 104,3	1 214,3	1 259,7
(+) Trade and other receivables	22 729,3	11 869,3	10 412,2
(+) Inventories	4 208,9	1 571,8	1 483,4
(+) Other current and non-current assets	5 764,5	3 286,8	3 115,4
(+) Deferred taxes	(9 928,0)	(558,6)	(573,4)
(-) Provisions	(14 190,9)	(9 641,8)	(9 475,4)
(-) Trade and other payables	(17 914,7)	(10 038,1)	(9 209,4)
(-) Other current and non-current liabilities	(9 073,6)	(6 592,9)	(6 203,3)
(-) Other financial liabilities	(859,1)	(778)	(467,5)
CAPITAL EMPLOYED	**91 779,9**	**36 540,2**	**32 527,0**

(a) *Deferred taxes are included in the calculation of capital employed with effect from 2008. Comparative data for 2007 and 2006 has been restated accordingly.*

NOTE 4 CURRENT OPERATING INCOME

4.1 Revenues

Group revenues break down as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Energy sales	42,531.7	24,986.4	22,669.1
Rendering of services	24,132.4	20,956.7	19,982.5
Leasing and construction contracts	1,259.8	1,532.3	1,637.6
REVENUES	**67,923.8**	**47,475.4**	**44,289.2**

The contribution of the former Gaz de France entities to Group revenues in 2008 totaled €14,217.9 million.

In 2008, revenues from lease and construction contracts amounted to €472.9 million and €786.8 million, respectively (€694.5 million and €837.8 million in 2007; €780.7 million and €856.9 million in 2006).

4.2 Personnel costs

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Salaries and payroll costs/pension expenses	(9,489.0)	(8,016.4)	(7,582.0)
Share-based payment	(190.0)	(125.1)	(58.8)
TOTAL	**(9,679.0)**	**(8,141.5)**	**(7,640.8)**

Changes in personnel costs in 2008 are mainly attributable to the first-time consolidation of ex-Gaz de France entities.

The net costs relating to defined benefit and defined contribution pension plans are presented in Note 18.

Movements in provisions for pensions are included in personnel costs in 2008 and 2007 rather than within depreciation, amortization and provisions as in 2006. Net reversals of provisions for pensions in 2008, 2007 and 2006 amounted to €271.5 million, €126.6 million and €132.7 million, respectively.

Share-based payments are disclosed in Note 24.

4.3 Depreciation, amortization and provisions

Amounts are shown below net of reversals.

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Depreciation and amortization	(3,382.2)	(2,016.3)	(1,874.7)
Write-down of inventories and trade receivables	(280.4)	53.0	(67.3)
Provisions	(50.9)	50.6	257.2
TOTAL	**(3,713.5)**	**(1,912.7)**	**(1,684.8)**

Depreciation and amortization breaks down as €555 million for intangible assets and €2,827.2 million for property, plant and equipment. A breakdown of assets by type is provided in Notes 10 and 11.

The increase in depreciation and amortization mainly reflects the first-time consolidation of ex-Gaz de France entities, Teesside and NAM.

The rise in net write-down of inventories and trade receivables reflects the non-recurring impact of provision reversals in 2007 after the corresponding bad debt had been written off, as well as an increase in revenues and to a lesser extent, a more difficult economic climate in Europe.

NOTE 5 INCOME FROM OPERATING ACTIVITIES

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Current operating income	6,223.6	5,175.4	4,496.5
Mark-to-market on commodity contracts other than trading instruments	563.6	67.8	17.1
Impairment of property, plant and equipment, intangible assets and financial assets	(811.8)	(132.0)	(150.3)
Restructuring costs	(254.2)	(42.6)	(88.8)
Disposals of assets, net	1,957.7	339.4	1,093.1
INCOME FROM OPERATING ACTIVITIES	**7,678.8**	**5,408.0**	**5,367.6**

5.1 Mark-to-market on commodity contracts other than trading instruments

The contribution of commodity contracts other than trading instruments to consolidated income from operating activities is a gain of €563.6 million for the year to December 31, 2008. This amount can be explained as follows:

- 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 €436 million;
- favorable changes in the fair value of derivatives embedded in commodity contracts, which are required to be accounted for separately under IAS 39, resulted in a positive impact of €110 million.

5.2 Impairment of property, plant and equipment, intangible assets and financial assets

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impairment of assets			
Goodwill	(47.7)	(1.3)	(11.6)
Property, plant and equipment and other intangible assets	(153.2)	(113.9)	(131.7)
Financial assets	(660.1)	(40.5)	(48.6)
TOTAL	**(861.0)**	**(155.7)**	**(191.9)**
Reversals of impairment losses			
Property, plant and equipment and other intangible assets	32.3	0.9	8.0
Financial assets	16.9	22.8	33.7
TOTAL	**49.2**	**23.7**	**41.6**
TOTAL	(811.8)	(132.0)	(150.3)

In 2008, impairment losses were recognized mainly on available-for-sale financial assets (€513 million) and property, plant and equipment used to produce electricity in the UK due to a decline in operating and pricing conditions (€123 million). In 2007 and 2006, impairment losses had concerned mainly SUEZ Energy International in the US, amid a persistently unfavorable pricing environment for certain merchant power plants.

5.2.1 Impairment of goodwill

All goodwill cash-generating units (CGUs) are tested for impairment based on data as of end-June and on a review of events in the second half of the year. The calculation of the recoverable amount of CGUs takes into account three scenarios (low, medium and high). The "medium" scenario is usually applied to compare the CGU's recoverable amount with its carrying amount. In 2008, impairment tests were carried out on the basis of the CGUs previously defined by SUEZ. Identification of the CGUs for the new GDF SUEZ Group is underway and expected to be completed upon finalization of the accounting for the business combination (i.e., within 12 months of the merger date). Goodwill resulting from the merger with Gaz de France was tested for impairment at December 31, 2008 as described below.

The recoverable amounts determined under the three abovementioned scenarios are generated by modifying the key assumptions used as inputs for the underlying models, and particularly the discount rates applied. Based on events that are reasonably likely to occur as of the balance sheet date, the Group considers that any changes in the key assumptions described below would not increase the carrying amount in excess of the recoverable amount.

The discount rates applied are determined on the basis of the weighted average cost of capital adjusted to reflect business, country and currency risks associated with each CGU reviewed. Discount rates correspond to a risk-free market interest rate plus a country risk premium.

The discount rates used in 2008 to calculate the present value of future cash flows in the impairment test ranged from 5% to 15.4% (from 5.2% to 15.3% in 2007 and from 5.1% to 12.3% in 2006).

With the exception of the Electrabel Benelux CGU and goodwill resulting from the merger with Gaz de France, no individual amount of goodwill allocated to other CGUs represents more than 5% of the Group's total goodwill.

Goodwill allocated to the Electrabel Benelux CGU

The total amount of goodwill allocated to this CGU was €9.0 billion at December 31, 2008. The Electrabel Benelux CGU includes the Group's electricity production, sale and distribution activities in Belgium, the Netherlands and Luxembourg.

The annual review of this CGU's recoverable amount was based on its estimated value in use.

To estimate value in use, the Group uses cash flow projections based on financial forecasts approved by Management covering a period of six years, and a discount rate of 7%. Cash flow projections beyond this six-year period are extrapolated to obtain a terminal value.

Key assumptions used in the calculation include expected trends in long-term prices for electricity and fuel. These amounts reflect the best estimates of market prices, while fuel consumption is estimated taking into account expected changes in production assets. The discount rates applied are consistent with available external sources of information.

Goodwill resulting from the merger with Gaz de France

As explained above, an impairment test was carried out on total goodwill of €11,390 million resulting from the merger with Gaz de France, based on strategic medium-term business plans covering a six-year period drawn up in summer 2008, and adjusted for fluctuations in the price of Brent crude since that date. Terminal values were computed either by extrapolating future cash flows beyond this six-year period or by reference to the Regulated Asset Base not depreciated at that date.

The key assumptions notably include: values assigned to the regulated asset base where applicable, estimated long-term gas and oil prices, changes in the euro/dollar exchange rate, the market outlook for the measurement of future cash flows, and the applicable discount rate.

These discount rates, ranging from 6% to 9.6%, correspond to the weighted average cost of capital in order to reflect business, country and currency risks arising on Gaz de France's different activities.

Other main CGUs

The table below sets out the assumptions used to review the recoverable amount of the other cash-generating units:

Cash-generating units	Measurement method	Discount rate
Electrabel France		
SHEM	DCF	7,00%
Compagnie Nationale du Rhône (CNR)	DCF	7.10%
Compagnie du Vent	DCF	6.00%
United Water	Multiples + DCF	5.00%
SITA UK	DCF	6.40%
Polaniec	DCF	7.90%
Agbar	Multiples + DCF (tender offer)	7.30%
SITA France	DCF	6.00%
SITA Deutschland	DCF	6.30%

5.2.2 Impairment of financial assets

In light of the downturn in equity markets in second-half 2008 and uncertainty regarding the time of recovery of the Gas Natural share price, the Group has recognized an impairment loss of €513 million on Gas Natural shares.

Furthermore, given the financial position of some of its counterparties in the second half of the year, the Group took an impairment loss against its financial assets (loans and receivables at amortized cost) for a total amount of €129.3 million, in order to reduce the carrying value of the assets concerned to their recoverable amount as estimated based on observable market data.

5.3 Restructuring costs

In 2008, 2007 and 2006, most of the costs included in this caption relate to the merger between Gaz de France and SUEZ and to the stock market listing of 65% of SUEZ Environnement Company. In 2008, this item also includes costs relating to the reorganization of facilities in the Ile de France region.

5.4 Disposals of assets

At December 31, 2008, disposals of assets mainly reflect commitments totaling €1,902 million given to the European Commission in respect of the merger with Gaz de France. The caption includes capital gains on the sale of Distrigas (€1,738 million) and on the disposal of 12.5% of Fluxys (€163 million). The disposal of SPE and Coriance, equity investments previously owned by Gaz de France, were measured at fair value within the context of accounting for the business combination, and therefore have no impact on income for the year. These divestments are described in further detail in Note 2 – "Main changes in Group structure".

At December 31, 2007, disposals of assets represented net capital gains of €339.4 million versus net capital gains of €1,093.1 million at end-2006.

The main disposal gains recognized in 2007 result from the following transactions:

- disposal of shareholdings in inter-municipal companies in the Walloon and Brussels regions. In the context of the legal and regulatory provisions providing for the deregulation of the energy market and the designation of the inter-municipal companies as distribution network operators under the restructuring agreements entered into between 2001 and 2005, Electrabel sold a portion of its interests in the inter-municipal companies in the Walloon and Brussels regions. The capital gain recognized in the consolidated financial statements at December 31, 2007 in respect of this transaction amounts to €66.7 million;
- disposal of 3% of the shares held by Electrabel in Elia pursuant to commitments undertaken in connection with the squeeze-out bid for the Electrabel shares not yet held by SUEZ in 2005. This transaction resulted in a capital gain of €25 million;
- disposal of 53.1% of the shares held by Agbar in Applus, a company specializing in technology inspection and certification activities. The capital gain recognized in the consolidated financial statements at December 31, 2007 in respect of this transaction amounts to €125 million;
- disposal of various non-strategic, mainly listed investments, representing a net capital gain of €68.8 million.

The largest capital gains recognized in 2006 on asset disposals result from the following transactions:

- the disposal of shareholdings in inter-municipal companies in the Flemish region. In application of the agreements signed in 2001 and 2005 concerning the restructuring of distribution networks in Flanders, Electrabel was required to reduce its shareholding in the Flemish inter-municipal companies to an agreed level of 30% by September 5, 2006 at the latest. These transactions were completed and a capital gain of €236 million was recognized in the consolidated financial statements at December 31, 2006;
- the disposal of shares in Reva. On June 29, 2006, SES España sold all of its shares in Reva. The capital gain recognized in the consolidated financial statements at December 31, 2006 amounted to €129 million;
- the disposal of shares in M6. SUEZ sold its remaining 5% shareholding in M6 to Compagnie Nationale à Portefeuille (CNP), booking a net capital gain of €120 million in 2006;
- sale of Neuf Cegetel. On October 24, 2006, SUEZ Communication sold its entire stake in Neuf Cegetel upon the company's stock market listing, booking a capital gain of €270 million;

Besides the transactions set out above, capital gains recognized on disposals of assets in 2006 related to the sale of the residual interest in Colbùn (€77 million) and in Hanjin City Gas (€50 million).

NOTE 6 NET FINANCIAL INCOME/(LOSS)

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
In millions of euros	Expenses	Income	Net	Expenses	Income	Net	Expenses	Income	Net
Net finance costs	(1,750.3)	391.8	(1,358.5)	(1,257.0)	584.0	(673.0)	(1,157.8)	327.6	(830.2)
Other financial income and expenses	(627.5)	491.9	(135.6)	(452.5)	403.3	(49.1)	(452.8)	552.0	99.2
NET FINANCIAL INCOME/(LOSS)	**(2,377.8)**	**883.7**	**(1,494.1)**	**(1,709.5)**	**987.3**	**(722.1)**	**(1,610.6)**	**879.6**	**(731.0)**

6.1 Net finance costs

Net finance costs include mainly interest expenses (calculated using the effective interest rate) on gross borrowings, foreign exchange gains/losses on borrowings and hedges and gains/losses on interest rate and currency hedges of gross borrowings, as well as interest income on cash investments and changes in the fair value of financial assets at fair value through income.

In millions of euros	Expenses	Income	Net Dec. 31,2008	Dec. 31, 2007	Dec. 31, 2006
Interest on gross borrowings	(1,552.1)	-	(1,552.1)	(1,257.0)	(1,097.7)
Foreign exchange gains/losses on borrowings and hedges	-	72.5	72.5	111.9	(9.6)
Gains and losses on hedges of borrowings	(198.2)	-	(198.2)	11.9	(50.5)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	-	319.4	319.4	460.2	327.6
NET FINANCE COSTS	**(1,750.3)**	**391.8**	**(1,358.5)**	**(673.0)**	**(830.2)**

The change in net finance costs is essentially attributable to the impact of interest rate fluctuations on net debt and to the evolution of the latter.

The decrease in exchange gains chiefly reflects lower foreign exchange gains arising on the Brazilian real in 2008 with regard to the redemption of Floating Rate Notes in the Energy Europe & International business (€71 million in 2008 versus €147 million in 2007).

6.2 Other financial income and expenses

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Other financial expenses			
Unwinding of discounting adjustments to provisions	(489.0)	(372.5)	(335.5)
Interest on trade and other payables	(110.9)	(73.4)	(22.4)
Exchange losses	(12.7)	(4.3)	(21.1)
Other financial expenses	(14.9)	(2.2)	(73.8)
TOTAL	**(627.5)**	**(452.4)**	**(452.8)**
Other financial income			
Income from available-for-sale securities	219.6	202.4	288.7
Interest income on trade and other receivables	68.4	95.8	23.8
Interest income on loans and receivables carried at amortized cost	144.1	82.3	63.7
Exchange gains	0.0	0.0	11.3
Other financial income	59.8	22.8	164.5
TOTAL	**491.9**	**403.3**	**552.0**
OTHER FINANCIAL INCOME AND EXPENSES, NET	**(135.6)**	**(49.0)**	**99.2**

Other financial income reflects the positive €56.4 million impact resulting from the renegotiation of Aguas Argentinas debt in 2006.

NOTE 7 INCOME TAX EXPENSE

7.1 Analysis of income tax expense recognized in the income statement

7.1.1 Breakdown of income tax expense

The income tax expense recognized in income for 2008 amounts to €911.9 million (compared with €527.5 million in 2007), breaking down as:

In millions of euros	2008	2007	2006
Current income taxes			
France	194.3	(147.2)	(59.1)
Outside France	(1,064.3)	(827.2)	(726.3)
TOTAL	**(870.0)**	**(974.4)**	**(785.4)**
Deferred taxes			
France	163.0	495.2	11.5
Outside France	(204.9)	(48.3)	(41.2)
TOTAL	**(41.9)**	**446.9**	**(29.7)**
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME FOR THE YEAR	**(911.9)**	**(527.5)**	**(815.1)**

At December 31, 2007, SUEZ SA was the parent of a tax consolidation group comprising 237 companies. At July 22, 2008, Gaz de France SA, renamed GDF SUEZ SA following its merger with SUEZ, became the parent of a tax consolidation group comprising the subsidiaries belonging to the former Gaz de France SA tax consolidation group, plus the subsidiaries previously part of the SUEZ SA tax consolidation group (excluding SUEZ Environnement subsidiaries), with retroactive effect from January 1, 2008. In turn, SUEZ Environnement subsidiaries formed a tax consolidation group headed by SUEZ Environnement Company with retroactive effect from the same date as for GDF SUEZ (January 1, 2008). There were 205 companies in the GDF SUEZ tax consolidation group at December 31, 2008.

7.1.2 Reconciliation between theoretical income tax expense and actual income tax expense

A reconciliation between the theoretical income tax expense and the Group's actual income tax expense is presented below:

In millions of euros	2008	2007	2006
Net income	5,591.2	4,616.4	4,194.2
(-) Share in net income of associates	318.3	457.9	372.7
(-) Income tax	(911.9)	(527.5)	(815.1)
Income before income tax and share in net income of associates (A)	6,184.7	4,685.9	4,636.6
of which French companies	*940.4*	*82.1*	*464.2*
of which companies outside France	*5,244.3*	*4,603.8*	*4,172.4*
Statutory income tax rate in France (B)	34.43%	34.43%	34.43%
Theoretical income tax expense (C) = (A) x (B)	(2,129.4)	(1,613.4)	(1,596.4)
Actual income tax expense			
Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	90.3	214.1	177.1
Permanent differences	83.4	13.4	(9.9)
Income taxed at a reduced rate or tax-exempt [(a)]	954.7	377.4	538.1
Additional tax expense [(b)]	(645.0)	(134.0)	(94.7)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences	(197.7)	(47.5)	(125.0)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	348.6	649.8	220.5
Impact of changes in tax rates	(18.9)	(22.1)	(27.0)
Tax credits	128.1	29.1	36.7
Other [(c)]	474.1	5.7	65.6
ACTUAL INCOME TAX EXPENSE	**(911.9)**	**(527.5)**	**(815.0)**
EFFECTIVE TAX RATE (ACTUAL INCOME TAX EXPENSE DIVIDED BY INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES)	**14.7%**	**11.3%**	**17.6%**

(a) Includes mainly capital gains on tax-exempt disposals of shares in Belgium; the effect of lower tax rates applicable to securities transactions in France; and the impact of the special tax regimes used for the coordination centers in Belgium.

(b) Includes mainly the tax on dividends and the tax on nuclear activities payable by electricity utilities in Belgium.

(c) Includes mainly the impact of no longer neutralizing operations that were previously neutralized (see below), due to the disbanding of the SUEZ SA tax consolidation group.

The change in the effective tax rate and the relatively low rate are explained below.

- following completion of the merger, the SUEZ SA tax consolidation group was disbanded and its subsidiaries (excluding SUEZ Environnement) incorporated within the GDF tax consolidation group with retroactive effect from January 1, 2008;
- the neutralization of certain operations was discontinued as a result, generating tax loss carry-forwards of €898 million, immediately utilized against taxable profits generated by GDF SUEZ SA for the period;
- deferred tax assets of €151 million were also recognized by the GDF SUEZ SA tax consolidation group on various temporary differences. These additional deferred tax assets take into account the events and transactions in the period which reinforce the tax consolidation group's ability to generate taxable profit;
- following the contribution of assets by SUEZ of SUEZ Environnement Company on July 15, 2008, the latter set up a new tax consolidation group including all subsidiaries operating in the SUEZ Environnement division that were previously part of the SUEZ SA tax consolidation group, with retroactive effect from January 1, 2008;
- based on the overall earnings outlook and further to the approval obtained by the French Department of Public Finance on November 25, 2008, SUEZ Environnement Company recognized €149 million in deferred tax assets at December 31, 2008, corresponding to tax loss carry-forwards transferred by the former SUEZ SA tax consolidation group;
- these operations are only partially offset by the nuclear tax payable by electricity utilities in Belgium for 2008, totaling €222 million.

7.2 Income tax recorded directly in equity

At December 31, 2008, changes in deferred taxes recognized directly in equity resulting from actuarial gains and losses calculated over the period and changes in the fair value of financial instruments recorded through equity, amount to a positive €826.1 million, and can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Change	Dec. 31, 2007	Dec. 31, 2006
Available-for-sale financial assets	(2.8)	79.7	(82.5)	(48.2)
Actuarial gains and losses	149.0	174.5	(25.5)	78.0
Net investment hedges	(15.2)	(28.8)	13.6	8.4
Cash flow hedges	467.0	597.5	(130.5)	(16.6)
TOTAL (EXCLUDING TRANSLATION ADJUSTMENTS)	**598.0**	**822.9**	**(224.9)**	**21.6**
Translation adjustments	(9.6)	3.2	(12.8)	
TOTAL	**588.4**	**826.1**	**(237.7)**	**21.6**

7.3 Deferred tax assets and liabilities

7.3.1 Analysis of the net deferred tax position recognized in the balance sheet (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

	Balance sheet position at		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets			
Net operating loss carry-forwards and tax credits	1,077.7	714.8	220.0
Pension obligations	1,028.0	599.9	697.9
Non-deductible provisions	458.0	256.4	370.8
Difference between the carrying amount of PPE and their tax bases	451.5	310.2	326.5
Measurement of financial instruments at fair value (IAS 32/39)	634.4	319.2	318.3
Other	801.9	403.6	540.0
TOTAL	**4,451.5**	**2,604.1**	**2,473.5**
Deferred tax liabilities			
Fair value adjustments to PPE and intangible assets	(9,485.8)	(809.1)	(731.0)
Other differences between the carrying amount of PPE and their tax bases	(3,654.6)	(1,059.1)	(1,085.8)
Tax-driven provisions	(172.9)	(117.9)	(110.6)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(337.5)	(436.2)	(306.5)
Other	(728.8)	(740.4)	(813.1)
TOTAL	**(14,379.6)**	**(3,162.7)**	**(3,047.0)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	**(9,928.1)**	**(558.6)**	**(573.5)**

The change in temporary differences recorded under liabilities is essentially attributable to the first-time consolidation of former Gaz de France entities, notably:

- differences between the carrying amount of property, plant and equipment and their tax bases (€2,036 million at December 31, 2008);
- fair value adjustments to property, plant and equipment (€8,730 million at end-2008, including €7,655 million resulting from the measurement of the fair value of assets acquired and liabilities assumed in the business combination).

	Impacts in the income statement		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets			
Net operating loss carry-forwards and tax credits	(9.3)	450.2	31.7
Pension obligations	(30.3)	(3.8)	(16.4)
Non-deductible provisions	84.1	6.3	(43.5)
Difference between the carrying amount of PPE and their tax bases	(28.5)	25.3	(19.9)
Measurement of financial instruments at fair value (IAS 32/39)	195.2	(26.1)	82.0
Other	245.3	(69.4)	147.4
TOTAL BENEFIT OBLIGATIONS	**456.5**	**382.6**	**181.3**
Deferred tax liabilities			
Fair value adjustments to PPE and intangible assets	(89.7)	38.4	9.6
Other differences between the carrying amount of PPE and their tax bases	27.2	(12.5)	(137.9)
Tax-driven provisions	(33.8)	(0.7)	6.7
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(360.3)	37.2	(149.7)
Other	(41.8)	1.9	60.3
TOTAL	**(498.4)**	**64.3**	**(211.0)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	(41.9)	446.9	(29.7)

Movements in deferred taxes recorded in the consolidated balance sheet, after netting off deferred tax assets and liabilities by tax entity, break down as follows:

In millions of euros	Assets	Liabilities	Net position
At December 31, 2006	**871.0**	**(1,444.5)**	**(573.5)**
At December 31, 2007	**1,085.0**	**(1,643.6)**	**(558.6)**
Impact on net income for the year	456.5	(498.4)	(41.9)
Impact of netting by tax entity	(2,239.4)	2,239.4	-
Other (*)	1,316.3	(10,643.8)	(9,327.5)
At December 31, 2008	**618.4**	**(10,546.4)**	**(9,928.0)**

(*) As indicated above, the bulk of these changes reflect the impact of the GDF SUEZ merger and in particular, the tax impacts resulting from the fair value measurement process.

7.3.2 Deductible temporary differences not recognized in the balance sheet

At December 31, 2008, unused tax loss carry-forwards not recognized in the balance sheet amounted to €1,223.7 million (€2,576.9 million at end-2007) in respect of ordinary tax losses (unrecognized deferred tax asset effect of €419.4 million). These loss carry-forwards are no longer applicable to entities in the GDF SUEZ tax consolidation group.

The expiration dates for unrecognized tax loss carry-forwards are presented below:

In millions of euros	Ordinary tax losses
2009	93.4
2010	10.7
2011	11.0
2012	32.4
2013	136.0
2014 and beyond	940.2
TOTAL	**1,223.7**

The amount of other tax-deductible temporary differences not recorded in the balance sheet amounted to €879.4 million (unrecognized deferred tax asset effect of €289.5 million).

7.3.3 Unrecognized deferred taxes on taxable temporary differences relating to investments in subsidiaries, joint ventures and associates

No deferred tax liabilities are recognized on temporary differences when the Group is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future. Likewise, no deferred tax liabilities are recognized on temporary differences that do not result in any payment of tax when they reverse (in particular as regards tax-exempt capital gains on disposals of investments in Belgium and the elimination of capital gains tax in France with effect from January 1, 2007).

NOTE 8 EARNINGS PER SHARE

Owing to the reverse acquisition of Gaz de France by SUEZ, and in accordance with IFRS 3, the average number of shares outstanding used as the denominator in determining earnings per share was calculated by splitting 2008 into a pre-merger and post-merger period.

The number of shares outstanding for the periods prior to the transaction (2006, 2007 and the pre-merger portion of 2008) represents the number of shares issued by Gaz de France SA (considered the acquirer for legal purposes) in consideration for the contribution of SUEZ, adjusted for the impact of changes in the number of shares issued by SUEZ (considered as merged into Gaz de France for legal purposes) during these periods.

The denominator for the post-merger period is the average number of GDF SUEZ shares issued and outstanding.

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Numerator *(in millions of euros)*			
Net income Group share	4,857.1	3,923.5	3,606.4
Denominator			
Average number of shares outstanding *(in millions)*	1,630.1	1,211.9	1,204.0
Impact of dilutive instruments			
• Bonus share plan reserved for employees	3.4	1.6	0.3
• Stock subscription and purchase plans reserved for employees	11.5	16.8	14.0
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,645.0**	**1,230.2**	**1,218.3**
Earnings per share *(in euros)*			
Earnings per share	2.98	3.24	3.00
Diluted earnings per share	2.95	3.19	2.96

The spin-off of 65% of SUEZ Environnement had an automatically dilutive impact on Group earnings per share. The following table shows earnings per share calculated as if the Group had owned 35% of SUEZ Environnement for all periods presented:

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Earnings per share including SUEZ Environnement contribution based on a 35% share	2.89	2.97	2.69
Diluted earnings per share including SUEZ Environnement contribution based on a 35% share	2.87	2.92	2.66

The dilutive instruments taken into account for calculating diluted earnings per share and the number of shares outstanding during the period are described in Note 24.

Stock options granted to employees in 2007 were not included in the calculation of diluted earnings per share since they are not in the money under current market conditions.

NOTE 9 GOODWILLS

9.1 Movements in the carrying amount of goodwill

In millions of euros

A. GROSS AMOUNT	
At December 31, 2006	**13,587.7**
Acquisitions	2,165.3
Disposals	(364.9)
Translation adjustments	(120.0)
Other	(202.2)
At December 31, 2007	**15,065.9**
Acquisitions	12,985.9
Disposals	(147.2)
Translation adjustments	(37.3)
Other	(128.7)
At December 31, 2008	**27,738.6**
B. IMPAIRMENT	
At December 31, 2006	**(183.0)**
Impairment losses	(1.3)
Disposals	10.5
Translation adjustments	(0.6)
Other	11.3
At December 31, 2007	**(163.2)**
Impairment losses	(47.7)
Disposals	(19.3)
Translation adjustments	12.6
Other	(10.8)
At December 31, 2008	**(228.3)**
C. CARRYING AMOUNT = A + B	
At December 31, 2006	**13,404.7**
At December 31, 2007	**14,902.7**
At December 31, 2008	**27,510.3**

Additions to goodwill in 2008 relate mainly to the acquisition of Gaz de France (€11,390 million), FirstLight (€657.2 million) and Senoko (€303.5 million) in the Energy Europe & International division. The calculation of the cost of the Gaz de France acquisition and its allocation to Gaz de France's assets and liabilities are shown in Note 2 – "Main changes in Group structure".

In 2007, goodwill was recognized mainly in the Energy France division on its acquisition of Compagnie du Vent (€633.9 million). Various companies in the Energy Europe & International business recognized goodwill on the transfer of the Supply business to Electrabel Consumer Solutions (ECS) for €212 million (Benelux-Germany), the acquisition of Windco for €46.2 million (Other Europe) and Ventus for €81.2 million (International). SUEZ Environnement recognized goodwill on various acquisitions carried out by Sita UK (€152.2 million) and Agbar (€72 million).

Goodwill arising on acquisitions of minority interests totaled €27.9 million versus €869.2 million at December 31, 2007, and related mainly to the 1.38% interest acquired in Electrabel (€331.2 million) and the binding commitment granted to Agbar minority shareholders within the scope of the public tender offer

(€512.5 million). In the absence of specific IFRS guidance, goodwill is recognized as described in Note 1.4.4.1.

Changes in the “Disposals” line (gross amount) relate mainly to the sale of Distrigas and Fluxys. In 2007, this caption included the sale of certain inter-municipal companies in the Brussels and Walloon regions for €62.9 million, and Agbar’s sale of Applus (€251.6 million).

Other changes in 2008 (gross amount) are linked to the decrease in goodwill recognized in 2007 on the binding commitment granted to Agbar minority shareholders. Ultimately, these shareholders did not respond favorably to the Group’s public tender offer for Agbar shares.

9.2 Goodwill segment information

The carrying amount of goodwill can be analyzed as follows by business segment:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Gaz de France	11,390.1	0.0	0.0
Energy France	1,104.1	984.4	697.4
Energy Benelux & Germany	9,084.1	9,223.6	8,614.3
Energy Europe	727.6	587.4	490.0
Energy International	1,482.7	476.1	428.9
Energy Europe & International	2,210.3	1,063.5	919.0
Global Gas & LNG	0.0	0.0	0.0
Infrastructures	0.0	103.6	104.0
Energy Services	786.9	707.2	682.5
SUEZ Environnement	2,910.1	2,738.6	2,305.4
Other	24.6	81.9	81.9
TOTAL	**27,510.1**	**14,902.8**	**13,404.6**

The analysis above is based on the business segments of the acquired entity rather than that of the acquirer. Pending the final allocation of Gaz de France goodwill to the CGUs and the operating segments (to be completed in line with the final calculation of goodwill), unallocated Gaz de France goodwill has not been assigned to the operating segments in the table above.

Excluding goodwill arising on the merger with Gaz de France (€11,390 million), the main goodwill balances relate to the following cash-generating units (CGUs): Electrabel Benelux (€9,010 million), Electrabel France (Compagnie du Vent, Shem and CNR for €964 million), Polaniec (€250 million), United Water (€493 million), Agbar (€650 million), Sita UK (€346 million), Sita France (€510 million), Sita Nederland BV (€234 million) and Sita Deutschland (€189 million).

These amounts are increased by goodwill resulting from the 2008 acquisitions of FirstLight (€695 million) and Senoko (€320 million).

NOTE 10 INTANGIBLE ASSETS, NET

10.1 Movements in intangible assets

In millions of euros	Software	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
A. GROSS AMOUNT					
At December 31, 2006	**588**	**4,006**	**1,180**	**1,031**	**6,806**
Acquisitions	46	150	0	82	278
Disposals	(29)	(16)	0	(28)	(72)
Translation adjustments	0	(32)	0	(49)	(81)
Changes in scope of consolidation	5	45	0	(7)	43
Other	(51)	(900)	0	946	(5)
At December 31, 2007	**559**	**3,253**	**1,180**	**1,976**	**6,968**
Acquisitions	214	204	1,210	691	2,320
Disposals	(29)	(26)	0	(40)	(95)
Translation adjustments	(9)	17	0	(16)	(8)
Changes in scope of consolidation	443	115	0	4,867	5,426
Other	25	9	0	22	55
At December 31, 2008	**1,204**	**3,573**	**2,390**	**7,498**	**14,665**
B. ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At December 31, 2006	**(434)**	**(1,871)**	**(531)**	**(481)**	**(3,317)**
Amortization/impairment	(55)	(113)	(24)	(92)	(283)
Disposals	29	14	0	24	67
Translation adjustments	(0)	17	0	30	46
Changes in scope of consolidation	(4)	(19)	0	(2)	(25)
Other	63	515	0	(536)	42
At December 31, 2007	**(402)**	**(1,457)**	**(555)**	**(1,057)**	**(3,470)**
Amortization/impairment	(115)	(141)	0	(299)	(555)
Disposals	29	20	0	32	81
Translation adjustments	5	(7)	0	(8)	(10)
Changes in scope of consolidation	(15)	(15)	0	(6)	(36)
Other	(33)	(7)	0	56	16
At December 31, 2008	**(531)**	**(1,606)**	**(555)**	**(1,283)**	**(3,975)**
C. CARRYING AMOUNT					
At December 31, 2006	**154**	**2,135**	**649**	**550**	**3,488**
At December 31, 2007	**158**	**1,796**	**625**	**919**	**3,498**
At December 31, 2008	**673**	**1,967**	**1,835**	**6,216**	**10,690**

Intangible assets acquired as a result of the merger with Gaz de France consist mainly of customer relationships, brands, and gas supply contracts. The fair value of these assets is set out in note 2 – “Main changes in Group structure”.

No impairment losses were recognized in 2008 (€2.7 million in 2007 and €3.6 million in 2006).

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concessions as defined by SIC 29 covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution. The rights granted to concession operators are accounted for as intangibles (see note 22).

10.1.2 Capacity entitlements

The Group was involved in financing the construction of several power stations operated by third parties and in consideration, received the right to purchase a share of the output over the useful life of the assets. These rights are amortized over the useful life of the underlying assets, not to exceed 40 years. The Group currently holds entitlements in the Chooz B power plant in France, the MKV and HKV plants in Germany, and the virtual power production (VPP) plant in Italy. At December 31, 2008, the carrying amount of these entitlements was €1,835 million.

10.1.3 Other intangible assets

At end-2008, this caption chiefly relates to intangible assets acquired as a result of the merger with Gaz de France (€4,922 million), essentially comprising the Gaz de France brand, customer relationships and gas supply contracts.

Non-amortizable intangible assets amounted to €703.2 million at December 31, 2008 (€87.2 million at end-2007 and €18.8 million at end-2006). They relate in particular to water drawing rights and the Gaz de France brand recognized as part of the allocation of the cost of the business combination to the assets and liabilities of Gaz de France, and are held for an indefinite term.

10.2 Research and development costs

Research and development activities primarily relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection, service quality and the use of energy resources.

Research and development costs with no specific contractual right of recovery are expensed as incurred. Excluding technical assistance costs, R&D costs amounted to €127.0 million in 2008 (€99.6 million and €86.0 million in 2007 and 2006, respectively).

Expenses related to in-house projects in the development phase that meet the definition of an intangible asset are not material.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT, NET

11.1 Movements in property, plant and equipment

In millions of euros	Land	Buildings	Plant and equipment	Vehicles	Capitalized dismantling costs	Assets in progress	Other	Total
A. GROSS AMOUNT								
At December 31, 2006	**1,744.1**	**5,089.3**	**31,555.5**	**1,534.0**	**732.0**	**1,803.7**	**2,633.7**	**45,092.3**
Acquisitions	43.1	80.9	731.5	150.6	(0.0)	1,729.0	76.5	2,811.5
Disposals	(24.1)	(64.8)	(225.6)	(107.6)	(2.6)	0.0	(59.1)	(483.8)
Translation adjustments	(48.6)	67.4	(550.4)	(23.8)	(9.5)	(48.3)	(144.4)	(757.5)
Changes in scope of consolidation	79.9	306.8	636.2	16.3	6.0	267.3	30.0	1,342.6
Other	69.6	166.3	1,267.3	49.7	172.8	(1,467.6)	(151.3)	106.8
At December 31, 2007	**1,864.0**	**5,646.0**	**33,414.6**	**1,619.2**	**898.8**	**2,284.1**	**2,385.4**	**48,111.9**
Acquisitions	77.0	102.4	2,018.0	164.8	0.0	4,553.9	88.3	7,004.4
Disposals	(48.6)	(83.8)	(270.7)	(103.3)	(3.1)	7.0	(72.5)	(575.0)
Translation adjustments	(149.7)	(417.0)	(998.1)	(62.3)	(53.5)	(120.6)	(9.8)	(1,811.1)
Changes in scope of consolidation	157.1	1,981.7	31,756.5	(10.8)	14.3	2,568.0	81.5	36,548.4
Other	54.7	47.2	2,804.0	40.0	145.0	(2,257.1)	(1,166.9)	(333.2)
At December 31, 2008	**1,954.3**	**7,276.5**	**68,724.3**	**1,647.6**	**1,001.4**	**7,035.3**	**1,306.0**	**88,945.5**
B. ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At December 31, 2006	**(864.5)**	**(1,716.0)**	**(18,674.7)**	**(1,054.1)**	**(619.8)**	**(42.6)**	**(1,117.8)**	**(24,089.5)**
Depreciation	(70.2)	(259.4)	(1,171.7)	(133.1)	(12.1)	0.0	(89.1)	(1,735.7)
Impairment losses	(3.6)	(3.9)	(91.4)	(0.2)	0.0	(11.9)	(0.2)	(111.2)
Disposals	14.4	36.7	179.5	99.1	2.6	0.0	55.5	387.8
Translation adjustments	30.2	(16.2)	146.5	13.6	10.1	2.0	38.5	224.5
Changes in scope of consolidation	(2.0)	(26.9)	(183.5)	(9.3)	(6.0)	0.0	(6.4)	(234.2)
Other	(6.6)	(38.4)	27.7	1.6	(38.0)	11.9	85.1	43.3
At December 31, 2007	**(902.3)**	**(2,024.1)**	**(19,767.7)**	**(1,082.5)**	**(663.3)**	**(40.6)**	**(1,034.3)**	**(25,514.8)**
Depreciation	(69.0)	(309.7)	(2,046.9)	(288.9)	(34.0)	0.0	(78.8)	(2,827.2)
Impairment losses	(4.4)	(1.7)	(130.1)	(0.0)	0.0	(13.0)	(4.0)	(153.3)
Disposals	32.7	65.3	310.9	97.7	(0.9)	0.0	59.1	564.8
Translation adjustments	82.9	115.5	391.7	36.9	39.4	(1.1)	8.4	673.6
Changes in scope of consolidation	(4.4)	1.4	1,479.4	59.8	(6.3)	0.0	(18.6)	1,511.4
Other	0.1	52.6	(156.9)	139.6	(8.5)	21.6	233.6	282.2
At December 31, 2008	**(864.4)**	**(2,100.7)**	**(19,919.6)**	**(1,037.4)**	**(673.6)**	**(33.1)**	**(834.6)**	**(25,463.3)**
C. CARRYING AMOUNT								
At December 31, 2006	**879.6**	**3,373.4**	**12,880.7**	**480.0**	**112.2**	**1,761.1**	**1,515.9**	**21,002.9**
At December 31, 2007	**961.6**	**3,621.9**	**13,646.9**	**536.6**	**235.5**	**2,243.5**	**1,351.1**	**22,597.1**
At December 31, 2008	**1,089.9**	**5,175.8**	**48,804.7**	**610.2**	**327.8**	**7,002.2**	**471.5**	**63,482.1**

Property, plant and equipment acquired as a result of the merger with Gaz de France consist mainly of gas transmission, storage and distribution facilities in France, as well as exploration and production assets, representing net additions of €37,094 million. The fair value of these assets is set out in note 2 – “Main changes in Group structure”.

Other net changes in the scope of consolidation mainly reflect the positive impact of acquisitions by Tractebel Energia in Brazil (+ €710.1 million, chiefly for Ponte de Pedra) and Agbar (+ €114.3 million, mainly for Lavaqua), the acquisition of First Light Power Enterprises in the US (+ €676.0 million) and Senoko Power in Singapore (+ €250.5 million), and the first-half acquisition of Teesside in the UK, carried out jointly with Gaz de France (+ €265.4 million). Net changes in Group structure also reflect the negative impact of the sale of Distrigaz (- €256.7 million), the change from full consolidation to equity-accounting for Fluxys in Belgium (- €639.9 million), and the sale of Chehalis in the US (- €219.2 million).

The main translation losses recorded in relation to the gross amount of property, plant and equipment at December 31, 2008 concern the Brazilian real (- €749.8 million), the pound sterling (- €535.2 million) and the Norwegian korona (- €293.7 million).

Assets relating to the exploration and production of mineral resources included in the table above are detailed in note 19 – “Exploration & Production activities”.

11.2 Pledged and mortgaged assets

Items of property, plant and equipment pledged by the Group to guarantee borrowings and debt amount to €2,417.1 million at December 31, 2008 (€2,227.7 million at December 31, 2007 and €2,001.0 million at December 31, 2006).

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have also entered into commitments to purchase, and the related third parties to deliver, property, plant and equipment. These commitments relate mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation plants) and for service agreements.

Firm commitments made by the Group to purchase property, plant and equipment amount to €5,168.6 million at December 31, 2008, compared with €4,469.7 million at December 31, 2007 and €1,790.5 million at December 31, 2006. The increase in this item essentially results from firm commitments to purchase property, plant and equipment in connection with the construction of new coal-fired power plant in Thailand, the first-time consolidation of former Gaz de France entities, offset by commitment consumptions during the period. The Group has also given various contractual investment commitments in a total amount of €1,228.6 million at December 31, 2008, versus €885 million at December 31, 2007 and €869.4 million at December 31, 2006.

11.4 Other information

Borrowing costs included in the cost of property, plant and equipment amount to €97.6 million at December 31, 2008, €36.2 million at end-2007 and €24.7 million at end-2006.

NOTE 12 INVESTMENTS IN ASSOCIATES

12.1 Breakdown of investments in associates

	Carrying amount of investments in associates			Share in net income of associates		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Belgian inter-municipal companies	670.4	893.2	866.8	174.8	365.3	235.3
Elia	(85.1)	(96.2)	(119.2)	26.7	25.1	21.1
FLUXYS	240.4			31.0		
GASAG	460.9			27.8		
GTT	244.8			28.0		
RETI Italia	277.0			1.0		
SPE Group	515.0			(2.0)		
Other	780.9	417.3	512.1	31.0	67.5	48.7
TOTAL	**3,104.3**	**1,214.3**	**1,259.7**	**318.3**	**457.9**	**372.7**

The main changes in 2008 arose on (i) the inclusion of Gaz de France associates in the scope of consolidation, and (ii) the change from full consolidation to equity-accounting for Fluxys following the sale of 12.5% of its share capital to Publigaz.

Dividends received by the Group from its associates amounted to €358.1 million in 2008 (€229.8 million in 2007 and €355.7 million in 2006).

Goodwill recognized by the Group on acquisitions of associates is also included in this item for a net amount of €311.0 million at end-2008 (€31.5 million at December 31, 2007 and €23.4 million at December 31, 2006).

12.2 Fair value of investments in listed associates

The net carrying amount of investments in listed associates was €171.5 million at December 31, 2008, compared to a negative €69.2 million at December 31, 2007 and a negative €27.6 million at December 31, 2006. The market value of these companies at year-end 2008 was €895.2 million (including Fluxys for €597.8 million) compared to €336.8 million at end-2007 and €463.5 million at end-2006.

12.3 Key figures of associates

In millions of euros	Latest % interest	Total assets	Liabilities	Equity	Revenues	Net income
At December 31, 2008						
Belgian inter-municipal companies [a] [e]		11,400.0	5,759.0	5,641.0	2,526.0	824.0
Elia	24.4	4,228.1	2,878.4	1,349.7	734.0	101.4
Fluxys [b]	44.8	2,664.4	1,377.8	1,286.6	592.2	111.0
GTT [c]	40.0	238.0	70.0	168.0	251.0	160.0
Reti Italia (c)	70.5	957.0	491.0	466.0	143.0	11.0
SPE group [c]	25.5	1,830.0	794.0	1,036.0	2455.0	22.0
At December 31, 2007						
Belgian inter-municipal companies [b] [e]		11,871.0	5,762.0	6,109.0	3,561.0	663.0
Elia	24.4	3,975.8	2,630.7	1,345.1	718.8	81.6
At December 31, 2006						
Belgian inter-municipal companies [e]		11,871.0	5,762.0	6,109.0	3,561.0	663.0
Compagnie Nationale du Rhône	47.9				798.9	135.3
Elia	27.5	3,899.5	2,593.5	1,306.0	690.9	76.9

(a) The latest available data at the balance sheet date concerns 2007.
(b) Based on data published by Fluxys prepared in accordance with Fluxys accounting policies.
(c) Full-year 2008 data.
(d) The latest available data at the balance sheet date concerns 2006.
(e) Based on the combined financial data of the Belgian inter-municipal companies, which have been restated in accordance with IFRS.

NOTE 13 INVESTMENTS IN JOINT VENTURES

Contributions of the main joint ventures to the Group's consolidated financial statements are as follows:

In millions of euros	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net income
At December 31, 2008							
Acea/Electrabel group	40.6 [a]	515.6	762.7	810.9	165.5	1,298.8	(17.1)
Hisusa group	51.0 [b]	1,170.7	2,624.1	1,152.9	733.3	1,623.3	126.6
Senoko	30.0	80.9	650.7	141.1	65.1	143.7	6.2
Tirreno Power	35.0	120.1	543.8	125.4	392.0	396.0	30.2
EFOG	22.5	145	134	2	61	105	70
Gasélys	51.0	3,662	8	3,885	15	98	57
SPP group	24.5	257	1,986	106	150	366	71
At December 31, 2007							
Acea/Electrabel group	40.6 [a]	477.3	751.5	739.6	167.1	1,036.0	0.7
Hisusa group	51.0 [b]	964.9	3,130.8	752.9	1,371.6	1,763.3	243.6
Tirreno Power	35.0	140.8	547.9	142.3	391.7	308.1	51.2
At December 31, 2006							
Acea/Electrabel group	40.6 [a]	402.9	675.1	606.2	156.8	1,132.9	7.4
Hisusa group	51.0 [b]	792.8	2,705.3	770.3	1,072.2	1,712.9	214.6
Tirreno Power	35.0	115.0	513.3	199.8	299.0	291.8	16.5

(a) Percentage of consolidation applicable to the holding companies.
(b) Includes Agbar, which is fully consolidated by Hisusa, itself proportionately consolidated by GDF SUEZ based on a 51% interest.

NOTE 14 FINANCIAL INSTRUMENTS

14.1 Financial assets

The Group's financial assets are broken down into the following categories:

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non-current	Current	Total	Total	Total
Available-for-sale securities	3,309.0		3,309.0	4,120.7	2,816.5
Loans and receivables carried at amortized cost	3,575.4	28,556.7	32,132.1	17,594.7	15,996.5
Loans and receivables carried at amortized cost (excluding trade and other receivables)	2,303.5	1,346.4	3,650.0	2,438.3	2,468.9
Trade and other receivables, net		22,729.3	22,729.3	11,869.3	10,412.2
Other assets	1,271.8	4,481.0	5,752.8	3,287.0	3,115.4
Financial assets at fair value through income	2,893.4	10,208.8	13,102.2	5,822.9	5,165.7
Derivative instruments	2,893.4	9,439.9	12,333.3	4,503.4	4,332.7
Financial assets at fair value through income (excluding derivatives)		768.9	768.9	1,319.5	833.0
Cash and cash equivalents		9,049.3	9,049.3	6,720.2	7,946.3
TOTAL	**9,777.8**	**47,814.8**	**57,592.6**	**34,258.5**	**31,925.0**

14.1.1 Available-for-sale securities

In millions of euros	
At December 31, 2006	**2,816.5**
At December 31, 2007	**4,120.7**
Acquisitions	475.1
Disposals	(96.0)
Changes in fair value recorded in equity	(612.0)
Changes in fair value recorded in income	(566.3)
Changes in scope of consolidation, foreign currency translation and other changes	(12.6)
At December 31, 2008	**3,309.0**

The Group's available-for-sale securities amounted to €3,309 million at December 31, 2008, breaking down as €1,071.3 million of listed securities and €2,237.7 million of unlisted securities.

Listed securities are measured based on their market price at year-end.

The methods used to measure unlisted securities are essentially as follows:

- recent market transactions;
- discounted dividends and/or cash flows;
- net asset value.

The Group reviewed the value of its available-for-sale securities on a case-by-case basis, in order to determine whether, based on all available information and in light of the current market environment, any impairment losses should be recognized. Given the downturn in equity markets and uncertainty regarding the timing of any recovery in the Gas Natural share price, the Group has recognized an impairment loss of €513 million on Gas Natural shares.

Gains and losses on available-for-sale securities recognized in equity or income were as follows:

		Remeasurement			
In millions of euros	Dividends	Change in fair value	Foreign currency translation	Impairment	Net gains and losses on disposals
Equity (*)	-	(690.0)	28.4	-	-
Income	219.6	(25.4)		(540.9)	42.3
TOTAL AT DECEMBER 31, 2008	**219.6**	**(715.4)**	**28.4**	**(540.9)**	**42.3**
Equity (*)	-	374.1	(58.2)	-	-
Income	202.4	25.4	-	(40.1)	(59.1)
TOTAL AT DECEMBER 31, 2007	**202.4**	**399.5**	**(58.2)**	**(40.1)**	**(59.1)**
Equity (*)	-	287.9	(50.2)	-	-
Income	288.7	12.5	-	(41.0)	468.1
TOTAL AT DECEMBER 31, 2006	**288.7**	**300.4**	**(50.2)**	**(41.0)**	**468.1**

(*) Excluding the tax effect.

14.1.2 Loans and receivables at amortized cost

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non-current	Current	Total	Total	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	2,303.5	1,346.4	3,650.0	2,438.3	2,468.9
Loans granted to affiliated companies	1,444.2	1,254.7	2,698.9	1,816.3	1,648.8
Other receivables carried at amortized cost	21.0		21.0	31.2	217.0
Amounts receivable under concession contracts	298.4	19.5	317.9	209.7	236.3
Amounts receivable under finance leases	539.9	72.2	612.1	381.1	366.8
Trade and other receivables, net		22,729.3	22,729.3	11,869.3	10,412.2
Other assets	1,271.8	4,481.0	5,752.8	3,287.0	3,115.4
Reimbursement rights	405.1	38.6	443.7	488.9	564.5
Tax receivables		2,818.8	2,818.8	1,229.8	923.1
Other receivables	866.8	1,623.6	2,490.4	1,568.3	1,627.8
TOTAL	**3,575.4**	**28,556.7**	**32,132.1**	**17,594.6**	**15,996.6**

In millions of euros	Dec. 31, 2008 Gross	Dec. 31, 2008 Allowance and impairment	Dec. 31, 2008 Net	Dec. 31, 2007 Gross	Dec. 31, 2007 Allowance and impairment	Dec. 31, 2007 Net	Dec. 31, 2006 Gross	Dec. 31, 2006 Allowance and impairment	Dec. 31, 2006 Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	4,124.3	(474.4)	3,650.0	2,739.1	(300.8)	2,438.3	2,826.7	(357.8)	2,468.9
Trade and other receivables	23,709.0	(979.7)	22,729.3	12,381.2	(511.9)	11,869.3	10,971.0	(558.7)	10,412.2
Other assets	5,897.4	(132.9)	5,752.8	3,376.7	(89.7)	3,287.0	3,216.4	(101.0)	3,115.4
TOTAL	**33,730.7**	**(1,587.0)**	**32,132.1**	**18,497.1**	**(902.4)**	**17,594.6**	**17,014.1**	**(1,017.5)**	**15,996.6**

The increase in trade and other receivables under both the gross value and allowance and impairment columns mainly reflects the first-time consolidation of Gaz de France and its subsidiaries. Given the financial position of some of its counterparties in the second half of the year, the Group recognized an impairment loss against its financial assets (loans and receivables at amortized cost) for a total amount of €129.3 million, in order to reduce the carrying value of the assets concerned to their recoverable amount as estimated based on observable market data.

Net income and expenses recognized in the consolidated income statement with regard to loans and receivables carried at amortized cost break down as follows:

In millions of euros	Interest income	Remeasurement: Foreign currency translation	Remeasurement: Impairment
At December 31, 2008	936.9	7.4	(363.8)
At December 31, 2007	872.5	(2.3)	72.0
At December 31, 2006	869.5	(5.4)	(40.1)

Loans granted to affiliated companies

"Loans granted to affiliated companies" primarily include the receivable due to the Group from its associate, ESO/Elia, in a net amount of €808.4 million at December 31, 2008 (unchanged from end-2007 and end-2006).

Trade and other receivables

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. The carrying amount of trade and other receivables represents a reasonable estimate of fair value.

Other assets

Other assets at December 31, 2008 include reimbursement rights comprising:

- Electrabel's reimbursement rights relating to pension obligations for employees of the distribution business of Walloon mixed inter-municipal companies (€296.5 million, including a current portion of €35.5 million). Reimbursement rights arise because Electrabel makes its personnel available to the inter-municipal companies for the day-to-day operation of the networks. All related personnel costs (including pension costs) are billed by Electrabel to the inter-municipal companies based on actual costs. Electrabel's pension obligations regarding these employees are now included within liabilities under provisions for pensions and other employee benefit obligations. The matching entry is a reimbursement right in respect of the inter-municipal companies for a similar amount;
- insurance policies taken out with Contassur, a related party, in order to finance certain Group pension obligations, representing €147.2 million.

14.1.3 Financial assets at fair value through income

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non-current	Current	Total	Total	Total
Derivative instruments	2,893.4	9,439.9	12,333.3	4,503.4	4,332.7
Derivatives hedging borrowings	964.9	146.5	1,111.4	715.4	590.7
Derivatives hedging commodities	1,762.3	9,217.7	10,980.0	3,685.6	3,650.6
Derivatives hedging other items	166.2	75.7	241.9	102.4	91.4
Financial assets at fair value through income (excluding derivatives)	0.0	768.9	768.9	1,319.5	833.0
Financial assets qualifying as at fair value through income		720.8	720.8	1,272.0	833.0
Financial assets designated as at fair value through income		48.1	48.1	47.5	0.0
TOTAL	2,893.4	10,208.8	13,102.2	5,822.9	5,165.7

Commodity derivatives and derivatives hedging borrowings and other items are set up as part of the Group's risk management policy and are analyzed in note 15.

Financial assets qualifying as at fair value through income are mainly UCITS held for trading purposes and intended to be sold in the near term. They are included in the calculation of the Group's net debt (see note 14.3).

Gains on financial assets held for trading purposes totaled €58.3 million in 2008.

Gains and losses arising on financial assets at fair value through income were not material in 2008.

14.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in sections 4 and 20 (note 15) of the 2008 Reference Document.

At December 31, 2008, no counterparty represented more than 11% of cash investments.

Cash and cash equivalents totaled €9,049.3 million at December 31, 2008, compared with €6,720.2 million at end-2007 and €7,946.3 million at end-2006.

This caption includes restricted cash of €184.4 million at December 31, 2008 (€205.6 million at December 31, 2007 and €138 million at December 31, 2006).

Income recognized in respect of cash and cash equivalents came to €260.7 million for the year to December 31, 2008.

Financial assets pledged as collateral

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Financial assets pledged as collateral	1,084.5	1,125.8	780.6

This item includes equity instruments and, to a lesser extent, trade receivables pledged to guarantee borrowings and debt.

14.2 Financial liabilities

Financial liabilities are recognized in:

- "Other liabilities carried at amortized cost" (borrowings and debt, trade and other payables, and other financial liabilities);
- "Financial liabilities at fair value through income" (derivative instruments).

The Group's financial liabilities are classified under the following categories at December 31, 2008:

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non-current	Current	Total	Total	Total
Borrowings and debt	24,200.4	14,641.0	38,841.4	21,655.8	19,679.1
Derivative instruments	2,889.6	9,472.4	12,362.0	4,002.8	4,081.2
Trade and other payables		17,914.7	17,914.7	10,038.1	9,209.4
Other financial liabilities	859.1		859.1	778.0	467.5
TOTAL	**27,949.1**	**42,028.1**	**69,977.2**	**36,474.6**	**33,437.2**

14.2.1 Borrowings and debt

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non-current	Current	Total	Total	Total
Bond issues	11,292.5	2,426.1	13,718.6	9,308.1	9,632.7
Commercial paper		8,665.5	8,665.5	2,179.0	1,650.7
Drawdowns on credit facilities	2,688.5	428.4	3,116.9	1,706.3	1,082.1
Liabilities under finance leases	1,347.4	185.0	1,532.4	1,126.7	1,194.4
Other bank borrowings	7,151.1	807.5	7,958.6	4,252.3	4,135.0
Other borrowings	1,549.8	504.8	2,054.6	1,481.2	682.5
TOTAL BORROWINGS	**24,029.3**	**13,017.3**	**37,046.6**	**20,053.6**	**18,377.5**
Bank overdrafts and current accounts		1,223.2	1,223.2	1,500.1	1,121.9
OUTSTANDING BORROWINGS	**24,029.3**	**14,240.5**	**38,269.8**	**21,553.7**	**19,499.4**
Impact of measurement at amortized cost	113.6	305.9	419.5	128.7	162.6
Impact of fair value hedge	57.5	94.6	152.1	(26.6)	17.1
BORROWINGS AND DEBT	**24,200.4**	**14,641.0**	**38,841.4**	**21,655.8**	**19,679.1**

The fair value of borrowings and debt amounted to €39,048.9 million at December 31, 2008, compared with a carrying amount of €38,841.4 million.

Gains and losses on borrowings and debt recognized in income (mainly comprising interest) are detailed in note 6.

Borrowings and debt are analyzed in note 14.3.

14.2.2 Derivative instruments

Derivative instruments recorded in liabilities are measured at fair value and break down as follows:

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
In millions of euros	Non- current	Current	Total	Total	Total
Derivatives hedging borrowings	790.8	234.0	1,024.9	191.2	139.5
Derivatives hedging commodities	2,025.2	9,169.2	11,194.4	3,715.2	3,915.7
Derivatives hedging other items	73.6	69.1	142.7	96.4	26.0
TOTAL	**2,889.6**	**9,472.4**	**12,362.0**	**4,002.8**	**4,081.2**

These instruments are put in place as part of the Group's risk management policy and are analyzed in note 15.

14.2.3 Trade and other payables

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Trade payables	14,482.8	8,305.7	7,470.0
Advances and down-payments received	1,019.8	644.5	601.0
Payable on fixed assets	1,743.8	374.4	304.3
Concession liabilities	22.7	21.4	133.6
Capital renewal and replacement liabilities	645.7	692.1	700.4
TOTAL	**17,914.7**	**10,038.1**	**9,209.4**

The carrying amount of trade and other payables represents a reasonable estimate of fair value.

14.2.4 Other financial liabilities

Other financial liabilities break down as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Payables related to acquisitions of securities	722.7	641.5	331.1
Other	136.4	136.4	136.4
TOTAL	**859.1**	**778.0**	**467.5**

Other financial liabilities chiefly relate to liabilities in respect of various counterparties resulting from put options granted by the Group to minority shareholders of fully consolidated companies. These commitments to purchase equity instruments from minority shareholders have therefore been recognized under liabilities (see note 1.4.10.2.2), and concern:

- 33.20% of the capital of Compagnie Nationale du Rhône (CNR);
- 43.16% of the capital of Compagnie du Vent;
- 40% of the capital of Energie Investimenti.

Minority shareholders of CNR may only exercise their options if the French Murcef law is abolished. Minority shareholders of Compagnie du Vent may exercise their options in several phases beginning in 2011.

Electrabel also holds call options on the same shares, as part of the agreements entered into by the parties.

14.3 Net debt

In millions of euros	Dec. 31, 2008 Non-current	Dec. 31, 2008 Current	Dec. 31, 2008 Total	Dec. 31, 2007 Non-current	Dec. 31, 2007 Current	Dec. 31, 2007 Total	Dec. 31, 2006 Non-current	Dec. 31, 2006 Current	Dec. 31, 2006 Total
Outstanding borrowings and debt	24,029.3	14,240.5	38,269.8	14,597.2	6,956.5	21,553.7	13,031.4	6,468.0	19,499.4
Impact of measurement at amortized cost	113.6	305.9	419.5	(42.8)	171.4	128.6	(45.0)	207.6	162.6
Impact of fair value hedge [(a)]	57.5	94.6	152.1	(28.5)	1.9	(26.6)	14.2	2.9	17.1
BORROWINGS AND DEBT	**24,200.4**	**14,641.0**	**38,841.4**	**14,526.0**	**7,129.8**	**21,655.7**	**13,000.6**	**6,678.5**	**19,679.1**
Derivative instruments hedging borrowings under liabilities [(b)]	790.8	234.0	1,024.9	182.4	8.8	191.2	122.8	16.7	139.5
GROSS DEBT	**24,991.2**	**14,875.1**	**39,866.3**	**14,708.4**	**7,138.6**	**21,847.0**	**13,123.4**	**6,695.2**	**19,818.6**
Financial assets at fair value through income	0.0	(768.9)	(768.9)	0.0	(1,319.5)	(1,319.5)	0.0	(833.0)	(833.0)
Cash and cash equivalents	0.0	(9,049.3)	(9,049.3)	0.0	(6,720.2)	(6,720.2)	0.0	(7,946.3)	(7,946.3)
Derivative instruments hedging borrowings under assets [(b)]	(964.9)	(146.5)	(1,111.4)	(701.3)	(14.1)	(715.4)	(570.0)	(20.7)	(590.7)
NET CASH	**(964.9)**	**(9,964.7)**	**(10,929.6)**	**(701.3)**	**(8,053.7)**	**(8,755.0)**	**(570.0)**	**(8,800.0)**	**(9,370.0)**
NET DEBT	24,026.3	4,910.4	28,936.7	14,007.1	(915.1)	13,091.9	12,553.4	(2,104.8)	10,448.6
Outstanding borrowings and debt	24,029.3	14,240.5	38,269.8	14,597.2	6,956.5	21,553.7	13,031.4	6,468.0	19,499.4
Financial assets at fair value through income	0.0	(768.9)	(768.9)	0.0	(1,319.5)	(1,319.5)	0.0	(833.0)	(833.0)
Cash and cash equivalents	0.0	(9,049.3)	(9,049.3)	0.0	(6,720.2)	(6,720.2)	0.0	(7,946.3)	(7,946.3)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS AND AMORTIZED COST	**24,029.3**	**4,422.3**	**28,451.6**	**14,597.2**	**(1,083.2)**	**13,514.1**	**13,031.4**	**(2,311.3)**	**10,720.1**

(a) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.
(b) 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 (see notes 14.1.3 and 14.2.2).

14.3.1 Change in gross debt

In the last quarter of 2008, GDF SUEZ SA carried out a series of bond issues for a total of €3,665 million, of which €1,400 million falls due in January 2014, €1,200 million in January 2019, GBP 500 million (€525 million) in October 2028, and CHF 625 million (€421 million) in December 2012.

In 2008, changes in the scope of consolidation led to an increase of €6,779 million in gross debt, while foreign currency translation increased gross debt by €231 million.

14.3.2 Debt/equity ratio

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Net debt	28,936.7	13,091.9	10,448.6
Total equity	62,818.3	24,860.8	22,563.8
DEBT/EQUITY RATIO	**46.1%**	**52.7%**	**46.3%**

NOTE 15 MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group mainly uses derivative instruments to manage its exposure to counterparty, liquidity and market risks.

15.1 Management of risks arising from financial instruments (excluding commodity instruments)

15.1.1 Counterparty risk

The Group is exposed to counterparty risk on its operating activities, cash investing activities and interest rate and foreign exchange derivative instruments.

To manage counterparty risk arising on operating activities, the Group has put in place monitoring procedures adapted to the characteristics of the counterparties concerned (private corporations, individuals, public authorities). Customers representing a significant counterparty for the Group are covered by procedures applicable to the financial activities described below, thereby providing broad-ranging oversight of the corresponding counterparty risk.

To manage counterparty risk arising on its financing activities, the Group has put in place risk management and control procedures adapted to the specific characteristics and cash requirements of the Group. Counterparties are selected based on an accreditation procedure which looks at external credit ratings and financial structure. Counterparty risk exposure limits are monitored on a daily basis by the front office. The Group also draws on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls), allowing it to minimize its exposure to counterparty risk.

The Group's maximum exposure to counterparty risk should be assessed based on the carrying amount of financial assets (excluding available-for-sale securities) and on the fair value of derivatives recognized within assets in its balance sheet.

Operating activities

Counterparty risk arising from trade receivables

Past-due trade and other receivables are analyzed below:

Trade and other receivables	Past due assets not impaired at the balance sheet date				Impaired assets	Assets neither impaired nor past due	
In millions of euros	0-6 months	6-12 months	More than 1 year	Total	Total	Total	Total
At December 31, 2008	3,370.8	354.7	328.6	4,054.1	980.4	18,674.4	23,709.0
At December 31, 2007	1,769.0	181.2	240.6	2,190.8	513.4	9,676.9	12,381.1

The age of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group does business (private corporations, individuals or public authorities). The Group decides whether to recognize impairment on a case-by-case basis according to the characteristics of the customer concerned. The Group does not consider that it is exposed to any material concentration of risk in respect of receivables.

Counterparty risk arising from other assets

Other assets, including tax receivables and reimbursement rights, are neither past due nor impaired. The Group does not consider that it is exposed to any counterparty risk on these assets (see note 14.1.2).

Financing activities

Counterparty risk arising from loans and receivables carried at amortized cost (excluding trade and other receivables)

The balance of outstanding past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables)	Past due assets not impaired at the balance sheet date				Impaired assets	Assets neither impaired nor past due	
In millions of euros	0-6 months	6-12 months	More than 1 year	Total	Total	Total	Total
At December 31, 2008	666.1	64.3	18.3	748.7	531.5	2,895.1	4,175.3
At December 31, 2007	7.0	4.8	222.8	234.6	286.1	2,299.8	2,820.5

The balance of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) does not include impairment losses and changes in fair value and in amortized cost, which came to €(474.4) million, €(64.8) million and €13.9 million, respectively, at December 31, 2008, versus €(300.8) million, €(83.3) million and €1.9 million at December 31, 2007. Changes in these items are presented in note 14.1.2 – "Loans and receivables carried at amortized cost".

Counterparty risk arising from investing activities

The Group is exposed to credit risk arising from investments of surplus cash (excluding loans to non-consolidated 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.

At December 31, 2008, total outstandings exposed to credit risk amounted to €10,161 million. Investment grade counterparties (rated at least BBB- by Standard & Poor's or Baa3 by Moody's) represent 87% of the exposure. The remaining exposure arises on either unrated (9%) or non-investment grade counterparties (4%). The bulk of exposure to unrated or non-investment grade counterparties arises within consolidated companies comprising minority interests, or within Group companies operating in emerging countries, where cash cannot be pooled and is therefore invested locally.

At December 31, 2008, no single counterparty represented more than 12% of cash investments.

15.1.2 Liquidity risk

The Group's financing policy is based on:

- centralizing external financing;
- diversifying sources of financing between credit institutions and capital markets;
- achieving a balanced debt repayment profile.

The centralization of financing needs and cash flow surpluses for the Group is provided by its financing vehicles (long-term and short-term) and its cash pooling vehicles.

Short-term cash requirements and cash surpluses are managed by dedicated financial vehicles in Paris and in Luxembourg (SUEZ Finance SA, Tractebel Cash Management Services, Electrabel Finance & Treasury Management) for Europe, and in Houston, Texas for North America. These vehicles centralize virtually all of the cash requirements and surpluses of the companies controlled by the Group. A project to converge existing cash pooling arrangements within SUEZ and Gaz de France has been in progress since the merger, and should be completed in 2009, along with the automation of cash pooling in certain other countries such as the US, the UK and Italy.

The Group seeks to diversify its long-term sources of financing by carrying out public or private bond issues within the scope of its Euro Medium Term notes program. It also issues commercial paper in France and Belgium, as well as in the United States.

Since the merger, long-term capital markets have been accessed chiefly by the parent company GDF SUEZ in connection with the Group's new bond issues, and by GDF SUEZ and Electrabel in connection with commercial paper.

At December 31, 2008, bank loans accounted for 40% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €13,719 million in bonds, or 37% of gross debt). Commercial paper represented 23% of gross debt, or €8,666 million at December 31, 2008 (see note 14.2.1). As commercial paper is relatively inexpensive and highly liquid, it is used by the Group in a cyclical or structural fashion to finance its short-term cash requirements. However, outstanding commercial paper is backed by confirmed bank lines of credit so that the Group could continue to finance its activities if access to this financing source were to dry up.

The Group's liquidity is based on maintaining cash and cash equivalents and access to confirmed credit facilities. These facilities are appropriate for the scale of its operations and for the timing of contractual debt repayments. Confirmed credit facilities had been granted for a total of €14,522 million at December 31, 2008, of which €3,117 million had been drawn down. 83% of total credit lines and 88% of undrawn facilities are centralized. None of these facilities contain a default clause linked to covenants or minimum credit ratings.

Cash and cash equivalents (net of overdrafts) amounted to €8,595 million at December 31, 2008. Cash surpluses managed by special-purpose vehicles are pooled as part of the Group's single liquidity policy.

Following the onset of US subprime crisis in summer 2007, virtually all cash surpluses were invested in term deposits with banks and standard money market funds.

The interbank liquidity crunch in fourth-quarter 2008 and the ensuing rise in counterparty risk led the Group to immediately adjust its investment policy in order to maximize liquidity. At December 31, 2008, 98% of cash pooled was invested in overnight bank deposits and standard money market funds with daily liquidity. These instruments are monitored on a daily basis and are subject to rules-based management.

Unpooled cash surpluses are invested in instruments selected on a case-by-case basis in light of local financial market imperatives and the financial strength of the counterparties concerned.

15.1.2.1 Undiscounted contractual payments

At December 31, 2008, undiscounted contractual payments on outstanding borrowings break down as follows by maturity:

At December 31, 2008	Total	2009	2010	2011	2012	2013	Beyond 5 years
In millions of euros							
Bond issues	13,718.6	2,426.2	1,030.8	540.8	793.6	1,299.2	7,628.1
Commercial paper	8,665.5	8,665.5	0.0	0.0	0.0	0.0	0.0
Drawdowns on credit facilities	3,117.0	428.4	496.5	0.1	2,085.0	0.1	106.9
Liabilities under finance leases	1,532.4	185.0	133.2	134.4	140.3	153.8	785.7
Other bank borrowings	7,958.6	807.5	1,262.3	664.4	674.0	1,083.7	3,466.7
Other borrowings	2,054.5	504.7	440.6	43.2	414.4	48.2	603.4
Bank overdrafts and current accounts	1,223.2	1,223.1	0.0	0.0	0.0	0.0	0.0
OUTSTANDING BORROWINGS	**38,269.9**	**14,240.5**	**3,363.4**	**1,382.8**	**4,107.3**	**2,585.0**	**12,590.8**
Contractual undiscounted cash flows on interest payments	9,316.9	1,190.4	1,079.0	921.7	875.5	830.0	4,420.3
TOTAL	**47,586.8**	**15,430.9**	**4,442.4**	**2,304.6**	**4,982.8**	**3,415.0**	**17,011.0**

At December 31, 2007	Total	2008	2009	2010	2011	2012	Beyond 5 years
In millions of euros							
Outstanding borrowings	21,553.7	6,956.5	3,120.6	2,748.8	1,269.1	1,036.7	6,422.0
Undiscounted contractual interest payments	5,087.9	960.1	764.0	566.1	406.4	348.4	2,042.9
TOTAL	**26,641.6**	**7,916.6**	**3,884.6**	**3,314.9**	**1,675.6**	**1,385.1**	**8,464.9**

At December 31, 2006	Total	2007	2008	2009	2010	2011	Beyond 5 years
In millions of euros							
Outstanding borrowings	19,499.4	6,468.2	931.8	3,760.3	2,715.0	664.3	4,959.8

At December 31, 2008, undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in assets and liabilities break down as follows by maturity (net amounts):

At December 31, 2008	Total	2009	2010	2011	2012	2013	Beyond 5 years
In millions of euros							
Derivatives (excluding commodity instruments)	540.7	(340.7)	74.9	225.7	62.7	82.0	436.1

At December 31, 2007	Total	2009	2010	2011	2012	2013	Beyond 5 years
In millions of euros							
Derivatives (excluding commodity instruments)	78.0	136.8	(207.9)	70.0	(9.6)	(0.6)	89.3

To better reflect the economic substance of these transactions, the cash flows linked to the derivatives recognized in assets and liabilities shown in the table above relate to net positions.

The maturities of the Group's undrawn credit facility programs are analyzed in the table below:

Confirmed undrawn credit facility programs

	2009	2010	2011	2012	2013	Beyond 5 years	Total
In millions of euros							
At December 31, 2008	1,227.8	1,478.6	335.1	7,061.2	135.7	1,167.1	11,405.4
	2008	**2009**	**2010**	**2011**	**2012**	**Beyond 5 years**	**Total**
At December 31, 2007	743.7	284.5	1,685.1	210.0	5,950.0	182.4	9,055.8
	2007	**2008**	**2009**	**2010**	**2011**	**Beyond 5 years**	**Total**
At December 31, 2006	705.2	78.2	170.2	1,683.2	154.6	5,774.8	8,566.2

Of these undrawn programs, €8,666 million are allocated to covering issues of commercial paper.

Undrawn confirmed credit lines include a €4,500 million syndicated loan maturing in 2012, and several bilateral credit lines falling due in 2010. These facilities are not subject to any covenants or credit rating requirements.

At December 31, 2008, no single counterparty represented more than 9% of the Group's confirmed undrawn credit lines.

15.1.3 Market risk

15.1.3.1 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its balance sheet and income statement are impacted by changes in exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the eurozone. Exposure to translation risk results essentially from net assets held by the Group in the United States, Brazil, Thailand, Poland, Norway and the United Kingdom (see note 3.2).

The Group'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 Group also enters into foreign currency derivatives which allow it to artificially 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 Group has opted for "catastrophe hedges", 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.

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 following tables present a breakdown by currency of gross debt and net debt, before and after hedging:

Analysis of financial instruments by currency

Gross debt

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
EUR zone	75%	67%	77%	65%	78%	64%
USD zone	11%	19%	10%	18%	10%	20%
GBP zone	2%	1%	1%	4%	2%	5%
Other currencies	12%	13%	12%	12%	10%	11%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Net debt

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
EUR zone	73%	63%	76%	57%	73%	48%
USD zone	13%	23%	12%	25%	15%	32%
GBP zone	2%	1%	2%	6%	2%	7%
Other currencies	12%	13%	11%	11%	10%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Foreign currency derivatives

Derivatives used to hedge currency risk are presented below.

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
In millions of euros	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount
Fair value hedges	30.7	1,232.4	3.4	123.1	4.9	207.5
Cash flow hedges	11.0	2,014.9	47.6	995.0	56.6	521.5
Net investment hedges	295.8	4,734.8	81.9	693.6	54.3	1,682.4
Derivative instruments not qualifying for hedge accounting	51.0	8,338.3	310.0	5,178.8	208.7	3,975.0
TOTAL	**388.6**	**16,320.3**	**442.9**	**6,990.5**	**324.5**	**6,386.4**

The market values shown in the table above are positive for an asset and negative for a liability.

The Group qualifies foreign currency derivatives hedging firm foreign currency commitments as fair value hedges.

Cash flow hedges are mainly used to hedge future foreign currency cash flows.

Net investment hedging instruments are mainly cross-currency swaps.

Non-qualifying derivatives consist of structured instruments which are not eligible for hedge accounting, either because of their nature or because they do not meet the hedge effectiveness criteria set out in IAS 39. These instruments are used as economic hedges of foreign currency commitments. The impact on foreign currency derivatives is almost entirely offset by gains and losses on the hedged items.

The methods used to measure the fair value of derivative instruments are described in the financial instruments section of note 1.4.11 – “Summary of significant accounting policies”.

15.1.3.2 Interest rate risk

The Group seeks to reduce financing costs by minimizing the impact of interest rate fluctuations on its income statement.

The Group’s aim is to achieve a balanced interest rate structure in the medium term (five years) by using a mixture of fixed rates, floating rates and capped floating rates for its net debt. The interest rate mix may shift around this balance in line with market trends.

In order to manage the interest rate profile of its net debt, the Group uses hedging instruments, particularly interest rate swaps and options.

Positions are managed centrally and are reviewed each quarter or whenever any new financing is raised. Management must approve in advance any transaction that causes the interest rate mix to change significantly.

The Group's finance costs are sensitive to changes in interest rates on all floating-rate debt. The Group's finance costs are also affected by changes in the market value of derivative instruments not documented as hedges within the meaning of IAS 39. At the date of this report, none of the options contracted by the Group have been documented as hedges under IAS 39, even though they may act as economic hedges (see note 6.2).

At December 31, 2008, the Group has a portfolio of interest rate options (caps) which protect it from a rise in short-term interest rates for the euro, US dollar and pound sterling. Given the collapse of all short-term interest rates in 2008, hardly any options hedging euros, US dollars and pounds sterling have been activated. This causes the Group's net finance costs to fluctuate, as short-term rates for the euro, US dollar and pound sterling are below the levels hedged. However, the value of this options portfolio increases when there is a homogenous rise in short- and long-term interest rates, and decreases when they fall.

The following tables present a breakdown by type of interest rate of gross debt, net debt and loans granted to affiliated companies, before and after hedging:

Analysis of financial instruments by type of interest rate

Gross debt

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Floating rate	55%	58%	59%	51%	45%	57%
Fixed rate	45%	42%	41%	49%	55%	43%
TOTAL	100%	100%	100%	100%	100%	100%

Net debt

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Floating rate	42%	45%	35%	22%	1%	22%
Fixed rate	58%	55%	65%	78%	99%	78%
TOTAL	100%	100%	100%	100%	100%	100%

Loans granted to affiliated companies

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Floating rate	54%	63%	82%	82%	80%	80%
Fixed rate	46%	37%	18%	18%	20%	20%
TOTAL	100%	100%	100%	100%	100%	100%

Interest rate derivatives

Derivatives used to hedge interest rate risk are presented below.

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
In millions of euros	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount
Fair value hedges	233.5	5,266.3	29.5	3,662.1	101.4	6,055.1
Cash flow hedges	(362.5)	4,662.5	(27.2)	2,055.7	(0.3)	1,187.0
Derivative instruments not qualifying for hedge accounting	(103.6)	9,847.2	34.9	4,991.6	37.9	4,773.2
TOTAL	**(232.6)**	**19,775.9**	**37.2**	**10,709.4**	**139.0**	**12,015.4**

The market values shown in the table above are positive for an asset and negative for a liability.

Fair value hedges correspond mainly to interest rate swaps transforming fixed-rate debt into floating-rate debt.

Cash flow hedges correspond mainly to hedges of floating-rate debt.

Non-qualifying derivatives represent complex instruments which, although used as economic hedges of borrowings, are not eligible for hedge accounting because of their nature or because they fail to meet the hedge effectiveness criteria set out in IAS 39.

The methods used to measure the fair value of derivative instruments are described in the financial instruments section of note 1.4.11 – “Summary of significant accounting policies”.

15.1.3.3 Specific impact of currency and interest rate hedges

Fair value hedges

At December 31, 2008, the net impact of fair value hedges recognized in the income statement was not material.

Cash flow hedges

Foreign currency and interest rate derivatives designated as cash flow hedges can be analyzed as follows by maturity:

	Dec. 31, 2008
In millions of euros	Market value by maturity
2009	(63.6)
2010	(60.5)
2011	(54.3)
2012	(32.0)
2013	3.1
Beyond 5 years	(144.2)
TOTAL	**(351.5)**

At December 31, 2008, gains and losses taken to equity in the period totaled €417.4 million.

The amount reclassified from equity to income for the period was not material.

The ineffective portion of cash flow hedges recognized in income represents a loss of €29 million.

Net investment hedges

The ineffective portion of net investment hedges recognized in income represents a loss of €11.2 million.

1 5.1.3.4 Sensitivity analysis: foreign currency and interest rate instruments

Sensitivity was analyzed based on the Group's debt position (including the impact of interest rate and foreign currency derivatives) at the balance sheet date.

For currency risk, sensitivity corresponds to a +/- 10% change in exchange rates compared to closing rates.

Impact on income

Changes in exchange rates against the euro only affect income via gains and losses on liabilities denominated in a currency other than the reporting currency of companies carrying the liabilities on their balance sheets, and when the liabilities in question do not qualify as net investment hedges. The impact of a uniform increase (or decrease) of 10% in foreign currencies against the euro would be a net gain (or loss) of €130.2 million.

Impact on equity

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform adverse change of 10% in foreign currencies against the euro would have a positive impact of €176.1 million on equity. This impact is countered by the offsetting change in the net investment hedged.

For interest rate risk, sensitivity corresponds to a +/- 1% change in the yield curve compared with year-end interest rates.

Impact on income

A uniform rise of 1% in short-term interest rates (across all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives, would have an impact of €128.5 million on net interest expense. A fall of 1% in short-term interest rates would reduce net interest expense by €130.8 million. The asymmetrical impacts are attributable to the interest rate cap portfolio.

In the income statement, a rise of 1% in interest rates (across all currencies) would result in a gain of €342.9 million attributable to changes in the fair value of derivatives not documented or designated as net investment hedges. However, a fall of 1% in interest rates would generate a loss of €246.2 million. The asymmetrical impacts are attributable to the interest rate cap portfolio, which limits any losses to the value of mark-to-market instruments carried in the balance sheet.

Impact on equity

A uniform change of +/- 1% in interest rates (across all currencies) would have a positive or negative impact of €137.9 million on equity, attributable to changes in the fair value of derivative instruments designated as cash flow hedges.

15.1.3.5 Market risk: equity instruments

At December 31, 2008, available-for-sale securities held by the Group amounted to €3,309 million (see note 14.1.1).

A fall of 10% in the value of listed securities would have an impact of around €107 million on income or equity attributable to the Group, depending on whether or not GDF SUEZ decides to recognize an impairment loss. The Group's portfolio of listed and unlisted securities is managed within the context of a specific investment procedure and performance is reported on a regular basis to Executive Management.

The Group reviewed the value of its available-for-sale securities on a case-by-case basis, in order to determine whether, based on all available information and in light of the current market environment, it needed to recognize any impairment losses. Given the downturn in equity markets and uncertainty regarding the timing of any recovery in the Gas Natural share price, the Group has recognized an impairment loss of €513 million on these shares.

15.2 Country risk

During 2005, the Group considered that it would be appropriate to hedge its exposure to country risk with respect to its investments in Brazil. The underlying risk identified in this case corresponds to a potential sudden increase in sovereign credit spreads in Brazil (e.g., further to a major economic or political crisis). This would impact the value of the Group's investments as the discount factors used in calculations would be higher. In order to protect itself against this country risk, the Group has purchased credit default swaps. With these swaps, the Group pays a limited premium and will receive a significant pay-off, corresponding to the difference between the face value and market value of a USD-denominated Brazilian government bond, if a credit event occurs (default, restructuring, accelerated repayment, etc.) affecting Brazil. At December 31, 2008, the nominal amount of this protection was USD 100 million, maturing at the end of 2012.

At December 31, 2008, the market value of these contracts, which do not meet the hedging documentation requirements under IAS 39, was €5.0 million (including the portion of outstanding premiums).

15.3 Management of risks arising from commodity instruments

15.3.1 Strategy and objectives

To guarantee its short- and long-term supplies and optimize its production and sales structure, the Group carries out transactions on natural gas, electricity, oil and coal markets. The Group is also active on the European greenhouse gas emission trading rights market. These transactions expose the Group 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 Group therefore uses commodity derivatives in line with a variety of strategies in order to eliminate or mitigate these risks.

The use of these derivatives is governed by hedging and trading policies approved by the executive management team of the business line concerned. Trading and portfolio management teams manage market and credit risks in accordance with the objectives and exposure limits set by the respective executive management teams.

In each of business lines concerned, executive management appoints a risk control committee within the Group's Finance division, which is independent from portfolio management or trading teams. These committees supervise and control risks and strategies in place in order to reduce exposure to changes in commodity prices and to credit risk. Independent risks control departments verify that positions taken comply with hedging policies on a regular basis. For trading activities, these departments verify compliance on a daily basis. The departments are also responsible for calculating fair value and market/credit risk exposure. The risks control departments produce daily reports on the performance and exposure resulting from hedging and trading activities. An oversight mechanism involving the Group's Finance division is currently being put in place, to ensure that market risks are managed and monitored appropriately.

15.3.1.1 Trading activities

Some Group entities are active in trading activities. In this context, the spot or forward transactions concern natural gas, electricity and various oil-based products and are contracted either over-the-counter or on organized markets. They may also offer their clients risk management services. These transactions are executed in Europe and the United States using various instruments, including :

(a) futures contracts involving physical delivery of an energy commodity;

(b) swaps providing for payments to or by counterparties of an amount corresponding to the difference between a fixed and variable price for the commodity;

(c) options and other contracts.

Revenues from trading activities amounted to €205 million in 2008 (€37 million in 2007).

15.3.1.2 Hedging transactions

The Group enters into cash flow hedges, and, since the merger between SUEZ and Gaz de France, fair value hedges as defined by IAS 39, using derivative instruments (futures and options) contracted over-the-counter or on organized markets. These instruments may be settled net or involve physical delivery of the underlying. Cash flow hedges are used to protect the Group against unfavorable changes in market prices affecting procurement costs or margins on highly probable future sale transactions. Fair value hedges are used to protect the Group against adverse changes in market prices that may affect the fair value of firm procurement or sale commitments.

15.3.1.3 Other commodity derivatives

Other commodity derivatives relate mainly to contracts that are (i) used to manage the Group's overall exposure to certain market risks; (ii) entered into for the purpose of taking advantage of differences in market prices in order to increase Group margins; (iii) contracts qualified as written options under IAS 39; or (iv) contracts that the Group has the practice of settling net.

The Group also holds certain purchase and sale contracts providing for the physical delivery of the underlying, which are documented as being purchases and sales taking place in the ordinary course of business but which include clauses qualifying as embedded derivatives under IAS 39. For some of the contracts, these clauses are recognized and measured separately from the host contract, with changes in fair value taken to income. Specifically, certain embedded derivatives have been recognized separately from host contracts containing (i) price clauses that link the contract price to changes in an index or the price of a different commodity from the one that is being delivered; (ii) indexation clauses based on foreign exchange rates that are not considered as being closely linked to the host contract; or (iii) other clauses.

15.3.2 Fair value of commodity derivatives

The fair values of commodity derivatives at December 31, 2008, 2007 and 2006 are indicated in the table below:

	Dec. 31, 2008				Dec. 31, 2007				Dec. 31, 2006			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	1,970.0	1,112.2	(2,615.2)	(1,603.7)	523.8	114.4	(201.7)	(179.7)	426.3	205.9	(366.0)	(228.3)
Fair value hedges	74.0	64.7	(73.0)	(64.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative instruments used in energy trading activities	5,902.4	0.0	(5,527.9)	0.0	2,303.1	0.0	(2,285.5)	0.0	2,256.6	0.0	(2,155.4)	0.0
Other derivative instruments	1,271.3	585.4	(953.1)	(356.7)	515.6	228.8	(689.4)	(359.0)	590.9	170.9	(828.1)	(337.8)
TOTAL	**9,217.7**	**1,762.3**	**(9,169.2)**	**(2,025.2)**	**3,342.5**	**343.2**	**(3,176.6)**	**(538.7)**	**3,273.9**	**376.8**	**(3,349.5)**	**(566.1)**

The fair values of cash flow hedges by type of commodity are as follows:

	Dec. 31, 2008				Dec. 31, 2007				Dec. 31, 2006			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Natural gas	673.1	79.0	(180.2)	(141.8)	57.5	22.0	(48.0)	(122.0)	98.5	8.3	(145.5)	(140.8)
Swaps	382.3	78.9	(106.6)	(77.3)	56.9	21.9	(47.2)	(121.9)	80.3	8.3	(137.0)	(135.9)
Options	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	(4.2)
Forwards/futures	290.8	0.1	(73.1)	(64.4)	0.6	0.1	(0.8)	0.0	18.2	0.0	(8.5)	(0.7)
Electricity	102.1	82.1	(262.8)	(192.3)	21.7	35.2	(39.1)	(16.5)	16.6	20.3	(43.6)	(19.9)
Swaps	15.7	6.2	(158.5)	(120.5)	13.0	10.1	(27.1)	(4.8)	1.8	3.5	(39.6)	(11.9)
Options	0.0	0.0	(1.0)	0.0	0.0	0.0	(0.4)	0.0	1.0	0.0	(0.1)	0.0
Forwards/futures	86.4	75.9	(103.3)	(71.8)	8.7	25.2	(11.6)	(11.7)	13.8	16.8	(3.9)	(8.0)
Coal	40.5	22.0	(34.6)	(5.9)	79.0	41.0	(0.7)	0.0	14.9	13.4	(3.0)	0.0
Swaps	40.5	22.0	(34.6)	(5.9)	79.0	41.0	(0.7)	0.0	14.9	13.4	(3.0)	0.0
Oil	1,144.8	928.7	(2,119.4)	(1,262.9)	289.3	0.0	(0.1)	(34.2)	137.7	106.0	(3.7)	(1.2)
Swaps	1,130.7	875.4	(2,118.9)	(1,262.9)	289.3	0.0	(0.1)	(34.2)	137.7	87.8	(3.7)	(1.2)
Options	14.1	53.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.2	0.0	0.0
Forwards/futures	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	9.5	0.4	(18.2)	(0.8)	76.3	16.1	(113.8)	(6.9)	158.6	57.9	(170.2)	(66.5)
Swaps	0.0	0.0	(2.6)	(0.8)	75.3	0.0	(98.2)	(6.1)	157.7	57.9	(170.2)	(66.5)
Options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Forwards/futures	9.5	0.4	(15.6)	0.0	1.0	16.1	(15.6)	(0.8)	0.0	0.0	0.0	0.0
TOTAL	**1,970.0**	**1,112.2**	**(2,615.2)**	**(1,603.7)**	**523.8**	**114.4**	**(201.7)**	**(179.7)**	**426.3**	**205.9**	**(366.0)**	**(228.3)**

The fair values of fair value hedges by type of commodity at December 31, 2008 are as follows:

	Dec. 31, 2008			
	Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current
Electricity	68.6	64.7	(68.6)	(64.7)
Forwards/futures	68.6	64.7	(68.6)	(64.7)
Other	5.3	0.0	(4.4)	0.0
Swaps	5.3	0.0	(4.4)	0.0
TOTAL	**74.0**	**64.7**	**(73.0)**	**(64.7)**

See also notes 14.1.3 and 14.2.2.

The fair values shown in the table above reflect the amounts for which assets could be exchanged, or liabilities settled, at the balance sheet date. They are not representative of expected future cash flows insofar as positions (i) are sensitive to changes in prices; (ii) can be modified by subsequent transactions; and (iii) can be offset by future cash flows arising on the underlying transactions.

Cash flow hedges

Notional amounts and maturities of cash flow hedges are as follows:

	Notional amounts (net) (*) at Dec. 31, 2008						
In GWh	2009	2010	2011	2012	2013	Beyond 2012	Total
Natural gas, electricity and coal	2,515	(150)	4,232	3,831	300		10,728
Oil-based products	125,831	41,536	5,181	1,304			173,852
TOTAL	**128,346**	**41,386**	**9,413**	**5,135**	**300**		**184,580**

(*) Long position/(short position)

	Notional amounts (net) (*) at Dec. 31, 2008						
In thousands of tons	2009	2010	2011	2012	2013	Beyond 2012	Total
Greenhouse gas emission rights	1,525	271	(473)	312			1,635
TOTAL	**1,525**	**271**	**(473)**	**312**			**1,635**

(*) Long position/(short position)

At December 31, 2008, a loss of €1,050 million was recognized in equity in respect of cash flow hedges versus a gain of €376 million at end-2007. A gain of €387 million was reclassified from equity to income in 2008, compared with a gain of €30 million in 2007.

Gains and losses arising on the ineffective portion of hedges are taken to income. A loss of €2 million was recognized in income in 2008, compared with a loss of €26 million in 2007.

Fair value hedges

In accordance with IAS 39, changes in the fair value of a derivative instrument and the item hedged are recognized simultaneously in income for the period.

At December 31, 2008, a loss of €64 million was recognized in income in respect of the hedging instrument, and a gain of €65 million in respect of the item hedged.

15.3.3 Financial risks arising from the use of commodity derivatives

15.3.3.1 Market risk

The Group is putting in place market risk management policies aiming to harmonize the approaches adopted by the former SUEZ and Gaz de France groups. Accordingly, the Group's current policy for managing market risk is still in a transitional phase.

Energy Europe & International

Market risk arising from commodity positions is assessed, estimated and managed on a daily basis using Value-at-Risk (VaR) techniques, together with other market risk exposure limits. The use of VaR to quantify market risk provides a transversal measure of risk taking all markets and products into account. Use of these techniques requires the determination of key assumptions, notably the selection of a confidence interval and a holding period.

Value-at-Risk represents the maximum potential loss on a portfolio of assets over a specified holding period based on a given confidence interval. It is not an indication of expected results. The Group uses a 1-day holding period and a 95% confidence interval.

Value-at-risk *In millions of euros*	Dec. 31, 2008	2008 average [a]	2007 average [a]	2006 average [a]	2008 maximum [b]	2008 minimum [b]
Trading activities	4.0	5.0	4.6	5.8	13.0	1.0

(a) Average daily VaR.
(b) Based on month-end highs and lows observed in 2008.

At December 31, 2008, VaR on hedging instruments and other commodity derivatives stood at €30 million (€49 million at December 31, 2007). These instruments are used to manage the Group's exposure to market risk liable to impact the expected margin on its production assets.

Energy France and Global Gas & LNG

Market risk arising from commodity positions is assessed, estimated and managed using sensitivity analyses, together with other market risk exposure limits. These sensitivity analyses are calculated based on a fixed portfolio at a given date and may not be necessarily representative of future changes in income and equity of the two businesses concerned.

Sensitivity of income to market risk arises mainly on economic hedges not eligible for hedge accounting under IFRS.

Due to the low proportion of options contracts in the portfolios of Energy France and Global Gas & LNG businesses, the sensitivity analysis represents the aggregate exposure.

Sensitivity to commodity price risk

An increase of USD 10.00 per barrel in the price of oil-based products would have a negative impact of €64.3 million on income and a positive impact of €275.4 million on equity before tax at December 31, 2008.

An increase of €3.00 per MWh in the price of natural gas would have a positive impact of €42.8 million on income and a negative impact of €123.2 million on equity before tax at December 31, 2008.

An increase of €5.00 per MWh in the price of electricity would have a negative impact of €2.4 million on income and a negative impact of €23.4 million on equity before tax at December 31, 2008.

Sensitivity to currency risk included in commodity contracts

An increase of 10% in the euro/dollar exchange rate would have a positive impact of €35.0 million on income and a negative impact of €135.6 million on equity before tax at December 31, 2008.

An increase of 10% in the pound sterling/euro exchange rate would have a positive impact of €0.2 million on income and a positive impact of €2.5 million on equity before tax at December 31, 2008.

Most of the exposure in 2008 is attributable to the former Gaz de France activities.

15.3.3.2 Liquidity risk

See note 15.1.2 for details of the Group's liquidity risk management policy.

The table below provides an analysis of undiscounted fair values due and receivable in respect of commodity derivatives recorded in assets and liabilities at the balance sheet date.

Liquidity risk *In millions of euros*	2009	2010	2011	2012	2013	Beyond 2013	Total
Derivative instruments carried in liabilities	(8,095.0)	(2,350.0)	(653.0)	(127.0)	(9.0)	(26.0)	(11,260.0)
Derivative instruments carried in assets	7,871.0	2,182.0	856.0	144.0	3.0	3.0	11,059.0
TOTAL AT DECEMBER 31, 2008	**(224.0)**	**(168.0)**	**203.0**	**17.0**	**(6.0)**	**(23.0)**	**(201.0)**

15.3.3.3 Counterparty risk

The Group is exposed to counterparty risk on its operating and financing activities. Counterparty risk reflects the risk that one party to a transaction will cause a financial loss for the other by failing to discharge a contractual obligation. In the case of derivatives, counterparty risk arises from instruments with a positive fair value, including trade receivables. Counterparty risk is taken into account for the calculation of the fair value of derivative instruments.

For its financing activities, the Group has put in place procedures for managing and monitoring counterparty risk based on (i) the accreditation of counterparties according to external credit ratings and objective market data (credit default swaps, market capitalization); and (ii) the definition of risk exposure limits. To reduce its risk exposure, the Group may also use contractual instruments such as standardized netting agreements or margin calls with its counterparties.

As a consequence of the financial crisis that emerged in September 2008, risk management procedures were reinforced by introducing daily monitoring of exposure limits and weekly reporting to the Management Committee of the Group's exposure to its main financial counterparties.

The oversight procedure for managing counterparty risk arising from operating activities in the Group's business lines has been reinforced by second-tier controls placed under the responsibility of the Finance division. The Finance division monitors the Group's exposure to its key counterparties on a quarterly basis, within the scope of the Energy Market Risk Committee (CRME).

	Dec. 31, 2008		Dec. 31, 2007	
Counterparty risk [(a)]	**Investment grade** [(b)]	**Total**	**Investment grade** [(b)]	**Total**
In millions of euros				
Counterparties				
Gross exposure	12,424.0	13,091.0	4,185.0	4,512.5
Net exposure [(c)]	2,155.0	2,328.0	1,538.2	1,703.7
% exposure to investment grade counterparties	*92.6%*		*90.3%*	

(a) Excluding positions with a negative fair value.
(b) «Investment grade» corresponds to transactions with counterparties related at least BBB- by Standard & Poor's, Baa3 by Moody's, or an equivalent by Dun & Bradstreet. Counterparties are also qualified as investment grade based on publicly available credit ratings, taking into account collateral, letters of credit and parent company guarantees.
(c) After taking into account collateral netting agreements and other credit enhancement.

15.3.4 Commitments relating to commodity purchase and sale contracts entered into within the ordinary course of business

In the ordinary course of their activities, some Group operating companies enter into long-term contracts, some of which include "take-or-pay" clauses. These consist of firm commitments to purchase (sell) specified quantities of gas, electricity and steam and related services, in exchange for a firm commitment from the other party to deliver (purchase) said quantities and services. These contracts were documented as falling outside the scope of IAS 39. The table below shows the main future commitments arising from contracts entered into by Global Gas & LNG, Energy France and Energy Europe & International business lines.

In TWh	Dec. 31, 2008	Within 1 year	1 to 5 years	More than 5 years	Dec. 31, 2007
Firm purchases of commodities, fuel and services	11,759.2	1,040.3	3,115.9	7,603.0	2,443.3
TOTAL COMMITMENTS GIVEN	**11,759.2**	**1,040.3**	**3,115.9**	**7,603.0**	**2,443.3**
Firm sales of gas, electricity, steam, oil and services	1,885.4	481.3	508.2	895.9	1,060.4
TOTAL COMMITMENTS RECEIVED	**1,885.4**	**481.3**	**508.2**	**895.9**	**1,060.4**

The Group is also committed to purchasing and selling future services in connection with the performance of long-term contracts.

NOTE 16 EQUITY

16.1 Share capital

	Share capital			o/w outstanding shares	o/w treasury stock	
	Number of shares	**Share capital** *(in millions of euros)*	**Additional paid-in capital** *(in millions of euros)*	**Number of shares**	**Number of shares**	**Par Value** *(in millions of euros)*
At December 31, 2006	1,277,444,403	2,554.9	11,534.4	1,272,751,488	4,692,915	132.2
Shares issued	29,599,119	59.2	767.6	29,599,119		
Purchases and disposals of treasury stock				(25,845,657)	25,845,657	1,082.5
At December 31, 2007	**1,307,043,522**	**2,614.1**	**12,302.0**	**1,276,504,950**	**30,538,572**	**1,214.7**
Shares issued	1,898,431	3.8	44.0	1,898,431		
Gaz de France acquisition	1,207,660,692	1,207.7	16,878.9			
Conversion into GDF SUEZ shares	(325,069,965)	(1,633.8)		(325,174,359)	104,394	(193.4)
At July 22, 2008	2,191,532,680	2,192	29,225	953,229,022	30,642,966	1,021.3
Shares issued	2,111,140	2.1	33.4	2,111,140		
Purchases and disposals of treasury stock				(17,680,535)	17,680,535	720.0
At December 31, 2008	2,193,643,820	2,193.9	29,258.3	937,659,627	48,323,501	1,741.3

Shares were issued during the year as a result of the following operations:

- the merger of SUEZ into Gaz de France as approved by the Extraordinary Shareholders' Meeting of July 16, 2008 based on a ratio of 21 Gaz de France shares for 22 SUEZ shares. No treasury shares held by SUEZ or SUEZ shares held by Gaz de France were exchanged. The effective date of the merger was July 22, 2008, when 1.308.941.953 former SUEZ shares were converted into 1.207.660.692 GDF SUEZ shares;
- the exercise of stock subscription options, accounting for the issuances during the period.

Each shareholder is entitled to one vote per share at any Group Shareholders' Meeting. A double voting right is, however, granted to holders of fully paid-up registered shares when such shares have been registered for more than two years.

Since the transaction qualifies as a reverse acquisition of Gaz de France by SUEZ, the shareholders' equity of the former SUEZ Group forms the basis of GDF SUEZ's shareholders' equity. However, the capital structure of the new Group must represent the number of shares, share capital and treasury stock of Gaz de France SA, the acquirer of SUEZ for legal purposes. Accordingly, to reconcile the legal capital structure of the former SUEZ Group with the legal capital structure of the new Group, the difference resulting from this conversion of GDF SUEZ shares is presented under »Conversion into GDF SUEZ shares». This presentation for the purposes of the consolidated financial statements has no impact on shareholders' equity.

16.2 Instruments providing a right to subscribe for new shares

Stock subscription options

The Group has granted stock subscription options to its employees as part of stock option plans. These plans are described in note 24.

16.3 Treasury stock and stock repurchase program

The Group has a stock repurchase program resulting from the authorization granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' Meeting of July 16, 2008. This program provides for the repurchase of up to 10%of the shares comprising share capital at the date of the meeting concerned. Under the program, the aggregate amount of acquisitions net of expenses cannot exceed the sum of €12 billion and the purchase price must be less than €55 per share. Details of these terms and conditions are provided in the report of the Ordinary and Extraordinary Shareholders' Meeting in the Resolutions section of the appendices to this document. In 2008, 19,374,173 shares were purchased for a total amount of €732 million.

Treasury stock comprised 48,323,501 shares at December 31, 2008 (30,538,572 at end-2007 and 4,692,915 shares at end-2006), with a total value of €1,852.3 million (€1,214.7 million at end-2007 and €132.2 million at end-2006). Of these, treasury stock owned by consolidated subsidiaries and deducted from equity amounted to €271.9 million.

16.4 Changes in fair value (attributable to equity holders of the parent company)

In millions of euros	Dec. 31, 2006	Change	Dec. 31, 2007	Change	Dec. 31, 2008
Available-for-sale financial assets	1,098.4	353.7	1,452.1	(669.1)	783.0
Net investment hedges	(8.6)	4.2	(4.4)	55.4	51.0
Cash flow hedges	(17.0)	(62.0)	(79.0)	(303.0)	(382.0)
Commodity cash flow hedges	91.5	342.9	434.4	(1,436.8)	(1,002.4)
Actuarial gains and losses	(298.6)	381.5	82.9	(571.3)	(488.4)
Deferred taxes	13.7	(247.4)	(233.7)	781.5)	547.8
Translation adjustments on items above	0.4	14.6	15.0	(54.8)	(39.8)
SUB-TOTAL	**879.9**	**787.5**	**1,667.3**	**(2,198.0)**	**(530.7)**
Translation adjustments on other items	242.7	(386.8)	(144.1)	(529.2)	(673.3)
TOTAL	**1,122.6**	**400.7**	**1,523.2**	**(2,727.2)**	**(1,204.0)**

16.5 Other disclosures concerning additional paid-in capital and consolidated reserves

Total additional paid-in capital and consolidated reserves at December 31, 2008 (including net income for the year) amounted to €58,499 million, of which €219.2 million related to the legal reserve of GDF SUEZ SA. Under French law, 5%of the net income of French companies must be transferred to the legal reserve until the legal reserve reaches 10%of share capital. This reserve cannot be distributed to shareholders other than in the case of liquidation.

The distributable paid-in capital and reserves of GDF SUEZ SA totaled €50,797.9 million at December 31, 2008 (€33,916.4 million at December 31, 2007 and €28,908.7 million at December 31, 2006).

Income tax recognized directly in equity is detailed in note 7.2.

16.6 Dividends

Dividends paid by Suez SA

Fiscal year	Amount distributed In millions of euros	Net DIVidend per share In euros
2006 (paid May 7, 2007)	1,513.8	1.20
2007 (paid May 14, 2008)	1,727.7	1.36

Dividends paid by Gaz de France SA

Fiscal year	Amount distributed In millions of euros	Net DIVidend per share In euros
2006 (paid May 30, 2007)	1,082.0	1.10
2007 (paid May 27, 2008)	1,214.0	1.26

Dividends paid by GDF SUEZ

Fiscal year	Amount distributed In millions of euros	Net DIVidend per share In euros
2009 interim DIVidend (paid November 27, 2008)	1,723.9	0.80

Recommended dividend for 2008

Shareholders at the GDF SUEZ Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2008 will be asked to approve a dividend of €1.4 per share, representing a total amount of €3,071.1 million. An interim dividend of €0.8 per share was paid on November 27, 2008, representing a total amount of €1,723.9 million.

Subject to approval by the Shareholders' Meeting, this dividend shall be paid from Monday May 4, 2009 and is not recognized as a liability in the accounts at December 31, 2008. The consolidated financial statements at December 31, 2008 are therefore presented before the appropriation of earnings.

Exceptional dividend

Shareholders at the GDF SUEZ Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2008 will be asked to approve an additional exceptional dividend of €0.8 per share, representing a total amount of €1,754.9 million. This exceptional dividend is not recognized under liabilities in the consolidated financial statements at December 31, 2008.

16.7 Spin-off of 65%of SUEZ Environnement Company

Prior to the merger with Gaz de France, SUEZ distributed 65%of the share capital of SUEZ Environnement Company to SUEZ shareholders. The spin-off led to a €2.289 million decrease in consolidated shareholders' equity and a corresponding increase in minority interests.

16.8 Capital management

GDF SUEZ aims to optimize its financial structure at all times by pursuing an appropriate balance between net debt (see note 14.3) and total equity, as shown in the consolidated balance sheet. The Group's key objective in managing its financial structure is to maximize value for shareholders, reduce the cost of capital and maintain a high credit rating, while at the same time ensuring the Group has the financial flexibility to leverage value-creating external growth opportunities. The Group manages its financial structure and makes any necessary adjustments in light of prevailing economic conditions. In this context it may choose to adjust the amount of dividends paid to shareholders, reimburse a portion of capital, carry out share buybacks, issue new shares, launch share-based payment plans or sell assets in order to scale back its net debt.

The Group's policy is to maintain an 'A' rating with Moody's and S&P. To achieve this, it manages its financial structure in line with the indicators usually monitored by these agencies, namely the Group's operating profile, financial policy and a series of financial ratios. One of the most commonly used ratios is operating cash flow less financial expenses and taxes paid expressed as a percentage of adjusted net debt. Net debt is primarily adjusted for nuclear waste reprocessing and storage provisions, provisions for unfunded pension plans, and operating lease commitments.

The Group's objectives, policies and processes for managing capital have remained unchanged over the past few years.

GDF SUEZ SA is not obliged to comply with any minimum capital requirements except those provided for by law.

NOTE 17 PROVISIONS

In millions of euros	Dec. 31, 2006	Dec. 31, 2007	Alloca-tions	Reversals (utiliza-tions)	Reversals (surplus provi-sions)	Changes in scope of conso-lidation	Impact of unwinding discount adjust-ments	Trans-lation adjust-ments	Other	Dec. 31, 2008
Pensions and other employee benefit obligations	2,797.5	2,346.2	172.5	(405.5)	(33.5)	1,608.7	191.2	(41.9)	313.2	4,150.8
Nuclear fuel reprocessing and storage	3,031.1	3,182.4	103.1	(23.6)	(2.8)	8.8	158.2	0.5	(1.4)	3,425.1
Sector-related risks	260.4	205.8	55.8	(79.3)	(3.4)	6.7	0.0	0.3	17.9	204.0
Dismantling of plant and equipment [(a)]	1,820.7	2,044.3	8.1	(5.3)	0.0	1,154.0	157.0	(28.1)	162.1	3,492.0
Warranties	65.3	79.1	33.3	(40.3)	(4.5)	2.6	0.0	1.6	7.7	79.4
Disputes, claims and tax risks	461.2	336.1	129.5	(129.9)	(10.7)	973.5	0.0	(9.3)	(8.7)	1,280.5
Site rehabilitation	485.9	525.0	30.8	(54.4)	(2.8)	551.3	30.0	(38.7)	(19.5)	1,021.7
Restructuring costs	80.8	54.1	33.9	(42.2)	(0.6)	14.3	0.3	(0.8)	(10.8)	48.3
Other contingencies	782.9	782.1	199.7	(158.1)	(60.0)	324.6	5.8	(22.4)	19.2	1,091.0
TOTAL PROVISIONS	**9,785.8**	**9,555.1**	**766.7**	**(938.7)**	**(118.2)**	**4,644.5**	**542.5**	**(138.9)**	**479.6**	**14,792.7**

(a) Of which €1.990.6 million in provisions for dismantling nuclear facilities at December 31, 2008.

Movements in the “Changes in scope of consolidation” column result primarily from the merger with Gaz de France for €4.947 million. The fair value of these provisions is set out in note 2 – “Main changes in Group structure”.

The impact of unwinding discount adjustments in respect of pensions and other employee benefits relates to the interest cost on the pension obligations, net of the expected return on plan assets.

For pensions and other employee benefit obligations, the “Other” column relates to actuarial gains and losses recognized in equity and arising in 2008 mainly due to the impact of the market downturn on the fair value of plan assets.

“Dismantling of plant and equipment” reflects the increase in provisions set aside by GDF Production Nederland following the NAM project, and by GDF Norge following the start-up of production at the Snohvit gas field (no impact on income), as well as the reclassification of certain provisions from the site rehabilitation caption.

Allocations, reversals and changes relating to unwinding discount adjustments are presented as follows in the consolidated income statement:

In millions of euros	Net allocations (reversals)
Income from operating activities	(348.5)
Other financial income and expenses	542.5
Income tax expense	58.3
TOTAL	**252.3**

The different types of provisions and the calculation principles applied are described hereafter.

17.1 Employee benefit obligations

See note 18.

17.2 Nuclear dismantling liabilities

In the context of its nuclear power generation activities, the Group incurs decommissioning liabilities relating to the dismantling of nuclear facilities and the reprocessing of spent nuclear fuel.

17.2.1 Legal framework

The Belgian law of April 11, 2003, amended by the law of April 25, 2007, granted Group subsidiary Synatom responsibility for managing provisions set aside to cover the costs of dismantling nuclear power plants and managing radioactive fissile material from such plants. One of the tasks of the Nuclear Provisions Committee set up pursuant to the above-mentioned law is to oversee the process of computing and managing these provisions. The Committee also issues opinions on the maximum percentage of funds that Synatom can lend to operators of nuclear plants and on the types of assets in which Synatom may invest its outstanding funds.

To enable the Committee to carry out its work in accordance with the above-mentioned law, Synatom is required to submit a report every three years describing the core inputs used to calculate these provisions.

On January 15, 2007, Synatom submitted its most recent triennial review of nuclear provisions to the Monitoring Committee (since renamed the Nuclear Provisions Committee by the April 25, 2007 law). Its recommendations do no impact the core inputs described in the previous report, notably in terms of the estimation methods, financial parameters and management scenarios to be used. The changes put forward were aimed at incorporating the latest economic data and detailed technical analyses into the calculations.

The provisions set aside also take into account all existing or planned environmental regulatory requirements on a European, national and regional level. If additional legislation were to be introduced in the future, the cost estimates used as a basis for the calculation could vary. However, the Group is not aware of additional planned legislation which would materially impact the value of the provision.

17.2.2 Provisions for dismantling nuclear facilities

Nuclear power stations have to be dismantled at the end of their operational lives. Provisions are set aside in the Group's accounts to cover all costs relating to (i) the shutdown phase, which involves removing radioactive fuel from the site; and (ii) the dismantling phase, which consists of decommissioning and cleaning up the site.

Provisions for dismantling nuclear facilities are calculated based on the following principles and parameters:

- costs payable over the long term are calculated by reference to the estimated costs for each nuclear facility, based on a study conducted by independent experts under the assumption that the facilities will be dismantled progressively;
- an inflation rate of 2%is applied up to the end of the dismantling period to calculate the future value of the obligation;
- a discount rate of 5%(including 2%inflation) is applied to determine the net present value of the obligation. The nominal 5%discount rate approved by the Monitoring Committee in its opinion on the 2007 triennial review is based on an analysis of the average benchmark long-term rate and expected changes in this rate (yield on 30-year Belgian OLO linear bonds, 30-year euro benchmark rate and 30-year interbank swap rate);
- dismantling work is expected to begin between five and eight years after the facilities concerned have been shut down, taking into account a useful life of 40 years as of the date the facilities are commissioned;
- payments are spread over approximately seven years after the date the dismantling work starts;
- the present value of the obligation when the facilities are commissioned represents the initial amount of the provision. The matching entry is an asset recognized for the same amount within the corresponding property, plant and equipment category. This asset is depreciated over a period of 40 years as from the commissioning date;
- the annual charge to the provision, reflecting the interest cost on the provision carried in the books at the end of the previous year, is calculated at the discount rate used to estimate the present value of future cash flows.

The nuclear facilities for which the Group holds capacity entitlements are also provisioned in an amount reflecting the Group's share in the expected dismantling costs. This provision is calculated and discounted each year in the same way as provisions for nuclear facilities located in Belgium.

17.2.3 Provisions for nuclear fuel reprocessing and storage

When spent nuclear fuel is removed from a reactor, it remains radioactive and requires processing. There are two different procedures for managing radioactive spent fuel, based on either reprocessing or essentially on conditioning without reprocessing. The Belgian government has not yet decided which scenario will be made compulsory in Belgium.

The Nuclear Provisions Committee bases its analyses on deferred reprocessing of radioactive spent nuclear fuel. The Group therefore books provisions for all costs resulting from this spent fuel management scenario, including on-site storage, transportation, reprocessing by an accredited facility, storage and removal of residual spent fuel after treatment.

Provisions for nuclear fuel reprocessing are calculated based on the following principles and parameters:

- costs are calculated based on the deferred reprocessing scenario, whereby the spent fuel is reprocessed and ultimately removed and buried in a deep geological depository;
- payments are staggered over a period through to 2050, when any residual spent fuel and the provision required to cover the cost of removal and deep underground storage will be transferred to ONDRAF, the Belgian agency for radioactive waste and enriched fissile materials. Based on the deferred reprocessing scenario, the last residual spent fuel would be buried in about 2080;

- the long-term obligation is assessed based on estimated internal costs and external costs resulting from firm offers received from third parties or fee proposals from independent organizations;
- the 5%discount rate used (actual rate of 3%plus 2%inflation) is the same as that used for the facility dismantling provision;
- charges to the provision are calculated based on the average unit cost of quantities used up to the end of the facility's operating life;
- an annual allocation is also recognized, corresponding to the impact of unwinding the discount.

In view of the nature and timing of the costs they are intended to cover, the actual future cost may differ from estimates. The provisions may be adjusted in line with future changes in the above-mentioned parameters. These parameters are nevertheless based on information and estimates which the Group deems reasonable at the date of this report and which have been approved by the Nuclear Provisions Committee.

17.2.4 Sensitivity to discount rates

Based on currently applicable parameters in terms of estimated costs and the timing of payments, a change of 50 basis points in the discount rate could lead to an adjustment of around 10%in dismantling and nuclear fuel reprocessing provisions. A fall in discount rates would lead to an increase in outstanding provisions, while a rise in discount rates would reduce the provision amount. Changes arising as a result of the review of the dismantling provision would not have an immediate impact on income, since the matching entry in certain cases would consist of adjusting the corresponding dismantling asset in the same amount.

Sensitivity to discount rates, presented above in accordance with the applicable standards, is an automatic calculation and should therefore be interpreted with appropriate caution in view of the variety of other inputs including in the evaluation. Moreover, the frequency with which these provisions are reviewed by the Nuclear Provisions Committee in accordance with applicable regulations ensures that the overall obligation is measured accurately.

17.3 Dismantling obligations arising on other plant and equipment

Certain plant and equipment, including conventional power stations, transmission and distribution pipelines, storage facilities, LNG terminals and exploration/production facilities, have to be dismantled at the end of their operational lives. This obligation is the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

The related liability is calculated using the most appropriate technical and budget estimates. Payments to be made over the long-term are discounted using the discount rate applied to provisions for dismantling nuclear facilities (5%).

Upon initial recognition, the Group books a provision for the present value of the obligation at the commissioning date and recognizes a "dismantling" asset as the matching entry for the provision. This asset is included within the appropriate line of property, plant and equipment and is depreciated over the useful life of the facilities.

The amount of the provision is adjusted each year to reflect the impact of unwinding the discount.

17.4 Sector-related risks

Provisions for sector-related risks include provisions covering guarantees given in connection with disposals which are likely to be called on.

17.5 Site rehabilitation

The June 1998 European Directive on waste storage facilities introduced a number of obligations regarding the closure and long-term monitoring of these facilities. These obligations lay down the rules and conditions incumbent on the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage, collection and treatment centers for liquid (leachates) and gas (biogas) effluents. It also requires these facilities to be inspected during 30 years.

These obligations give rise to two types of provisions (rehabilitation and long-term monitoring) calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are set aside over the period the site is in operation, pro rata to the depletion of waste storage volume. Costs to be incurred at the time of a site's closure or during the long-term monitoring period (30 years after a site is shut down within the European Union) are discounted to present value. An asset is recorded as counterparty to the provision and depreciated in line with the depletion of waste storage volume or the need for coverage during the period.

The amount of the provision for site rehabilitation (at the time the facility is shut down) depends on whether a semi-permeable, semi-permeable with a drainable facility, or impermeable shield is used. This has a considerable impact on future levels of leachate effluents and hence on future waste treatment costs. To calculate the provision, the cost to rehabilitate the as-yet untreated surface area needs to be estimated. The provision carried in the balance sheet at year-end must cover the costs to rehabilitate the untreated surface area (difference between the fill rate and the percentage of the site's surface that has already been rehabilitated). The amount of the provision is reviewed each year based on work completed or still to be carried out.

The calculation of the provision for long-term monitoring depends on both the costs arising on the production of leachate and biogas effluents, and on the amount of biogas recycled. The recycling of biogas represents a source of revenue and is deducted from the amount of long-term monitoring expenditure. The main expense items arising from long-term monitoring obligations relate to:

- construction of infrastructure (biogas recycling facility, installation of leachate treatment facility) and the demolition of installations used while the site is in operation;
- upkeep and maintenance of the protective shield and infrastructures (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells;
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations to be recognized at year-end depends on the fill rate of the facility at the end of the period, estimated aggregate costs per year and per caption (based on standard or specific costs), the estimated shutdown date and the discount rate applied to each site (based on its residual life).

The Group also sets aside a provision for the rehabilitation of exploration and production facilities. A provision representing the present value of the estimated rehabilitation costs is carried in liabilities with a matching entry to property, plant and equipment. The depreciation charge on this asset is included within current operating income and the cost of unwinding the discount is booked in financial expenses.

17.6 Provisions for disputes, claims and tax risks

See note 28.

17.7 Other contingencies

Other risks mainly include provisions for miscellaneous employee-related litigation, environmental risks and various business risks.

NOTE 18 POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

18.1 Description of the main pension plans

18.1.1 Companies belonging to the Electricity and Gas Industries sector in France

18.1.1.1 Description of pension plan

Since January 1, 2005, the CNIEG (Caisse Nationale des Industries Électriques et Gazières) has operated the pension, disability, death, labor accident and occupational illness benefit plans for electricity and gas companies (hereinafter "EGI"). The CNIEG is a social security legal entity under private law placed under the joint responsibility of the ministries in charge of social security, budget and energy. Salaried employees and retirees of EGI sector companies have been fully affiliated to the CNIEG since January 1, 2005.

The main Group companies covered by this plan are GDF SUEZ SA, GrDF, GRTgaz, ELENGY, STORENGY, DK6, Cycofos, CPCU, TIRU, GEG, Compagnie Nationale du Rhône (CNR) and SHEM.

Law 2004-803 of August 9, 2004 (concerning electricity and gas public services and electricity and gas utilities) and its implementing decrees allocated specific benefits already vested at December 31, 2004 ("past specific benefits") between the various EGI entities. For each entity, the law also distinguished between (i) benefits related to gas and electricity transmission and distribution businesses ("regulated past specific benefits"), and (ii) benefits related to other activities ("unregulated past specific benefits"). Specific rights under the special pension plan applicable to EGI companies are on top of the standard benefits payable under ordinary law.

Regulated past specific benefits are funded by the levy on gas and electricity transmission and distribution services (Contribution Tarifaire d'Acheminement), and therefore no longer represent an obligation for the GDF SUEZ Group.

Unregulated past specific benefits are funded by EGI sector entities to the extent defined by decree no. 2005-322 of April 5,.2005. For GDF SUEZ, this funding obligation represents 3.69%of the past specific benefit obligations of all EGI sector companies.

The specific benefits vested under the plan since January 1, 2005 will be wholly financed by EGI sector companies in proportion to their respective share of the electricity and gas market as measured by total payroll costs.

18.1.1.2 Main features of the EGI pension reform in 2008

In accordance with the "Guidance Document on the Reform of Special Pension Plans" published by the French Ministry for Labor, Social Affairs and Solidarity on October 10, 2007, the special pension scheme for electricity and gas utilities was amended by decree no. 2008-69 of January 22, 2008. Following a transitional phase, the decree brings the pension scheme for these utilities into line with standard public sector pensions.

Decree no. 2008-627 of June 27, 2008 on the pension and disability scheme for employees of electricity and gas utilities amends Appendix 3 of the national statute for EGI sector employees. The decree reiterates the core principles of the pension reform enshrined in decree no. 2008-69 of January 22, 2008 and lays down the basis for the new rules governing the special EGI pension scheme since July 1, 2008.

This decree is supplemented by decree no. 2008-653 of July 2, 2008 which updates various provisions of the EGI statute.

The amendments made to the existing scheme came into force on July 1, 2008 and chiefly concern:

- an extension of the period during which employees pay in contributions;
- introduction of a discount/premium mechanism;
- the methodology for recalculating pensions.

During the transitional phase, the period over which employees have to pay in contributions before they can retire on a full pension – previously set at 150 quarters – will rise gradually up to 160 quarters on December 1, 2012. The scheme will then evolve in line with standard public sector pensions.

Discounts will be gradually introduced for employees who have not completed the required pay-in period.

The discount consists of applying a financial penalty to employees who have not paid in contributions over a sufficient period to qualify for a full pension. Conversely, a premium will be applied to employees who, under certain conditions, continue to work beyond 60 and have paid in contributions over more than 160 quarters.

Pensions and disability annuities will be recalculated as of January 1, 2009 on the basis of the retail price index (excluding tobacco).

As part of the pension reform and in accordance with the principles laid down by the Guidance Document, a first agreement was signed on January 29, 2008 for EGI sector companies. The agreement provides for the revaluation of the basic national salary for 2008 applicable to active and retired employees, modification of salary bands and changes in end-of-career indemnities.

The latest measurements of these and other "mutualized" obligations relating to EGI sector companies were carried out on January 1, 2008 by the CNIEG based on the assumption that employees would defer retirement in order to receive an identical level of benefits and avoid the risk of incurring a discount. In future, assumptions will be adjusted in line with actual behavior, which may have an impact on the financial statements.

18.1.2 Companies belonging to the electricity and gas sector in Belgium

In Belgium, the rights of employees in electricity and gas sector companies, principally Electrabel, Electrabel Customer Solutions (ECS), Distrigas, Fluxys and Laborelec, and some SUEZ-Tractebel SA employee categories, are governed by collective bargaining agreements.

These agreements, applicable to "wage-rated" employees recruited prior to June 1, 2002 and managerial staff recruited prior to May 1, 1999, specify the benefits entitling employees to a supplementary pension equivalent to 75%of their most recent annual income, for a full career and in addition to the statutory pension. These top-up pension payments are provided under defined benefit plans are partly reversionary. In practice, the benefits are paid in the form of a lump sum for the majority of plan participants.

Most of the obligations resulting from these pension plans are financed through pension funds set up for the electricity and gas sector and by certain insurance companies.

Pre-funded pension plans are financed by employer and employee contributions. Employer contributions are calculated annually based on actuarial assessments, in order to verify that the minimum legal financing requirements are met and that the benefits will be financed in the long term.

"Wage-rated" employees recruited after June 1, 2002 and managerial staff recruited after May 1, 1999 are covered under defined contribution plans. However, for contributions paid since January 1, 2004, Belgian law specifies a minimum average annual return of 3.25%over the beneficiary's service life. Any deficit has to be borne by the employer. Therefore, for the portion of pension obligations corresponding to contributions paid since January 1, 2004, these plans should be considered as defined benefit plans. However, the plans continued to be recognized by the Group as defined contribution schemes, mainly because no material net liability has been identified. In light of the crisis in the financial markets, the actual rate of return was compared with the guaranteed minimum rate of return. The unfunded portion was not material at December 31, 2008.

Electricity and gas sector companies also grant other employee benefits such as the reimbursement of medical expenses, electricity and gas price reductions, as well as jubilee benefits and early retirement schemes. These benefits are not pre-funded, with the exception of the special "allocation transitoire" termination indemnity (equal to three months' statutory pension), managed by an external insurance company. Since 2007, the long-service awards scheme has also been managed by an external insurance company.

The valuation of obligations takes into account, within the framework of the current regulatory context and of the collective bargaining agreements in force, the methods used by the electricity and gas supply sector in Belgium. With regard to the separation of production and distribution activities, the breakdown of obligations has been reviewed and the consequences taken into account at December 31, 2006.

In 2007, new defined benefit plans with a step rate formula(1)(1) were offered to managerial staff recruited before May 1, 1999 and »wage-rate» employees recruited under the prior status (before June 1, 2002).

(1) A formula guaranteeing members a set level of benefits independently of the statutory pension.

The Group has an additional obligation of €51 million as a result of the above, €12 million of which is funded by a reimbursement right on certain inter-municipal companies (see below).

Moreover, measures concerning employees affiliated to the B scheme (providing for the payment of annuities) launched at the end of 2007 continued apace in 2008:

- retirees were given the opportunity to opt for a single lump-sum payment to replace their staggered annuity payments. This resulted in a settlement of €81 million in 2008 (excluding the cost of the capital paid to retirees in the amount of €63 million);
- active employees were given the opportunity to join the Elgabel pension plan (new funded step-rate formula), which led to a positive impact of €15 million.

The projected benefit obligation relating to these plans represented around 24%of total pension obligations and related liabilities at December 31, 2008.

18.2 Other post-employment and long-term benefit obligations

18.2.1 Other benefits granted to current and former EGI sector employees

Post-employment benefits:

- reduced energy prices;
- end-of-career indemnities;
- bonus leave;
- immediate bereavement benefits;
- partial reimbursement of educational expenses.

Long-term benefits:

- allowances for occupational accidents and illnesses;
- temporary and permanent disability allowances;
- long-service awards.

18.2.1.1 Reduced energy prices

Under article 28 of the national statute for electricity and gas industry personnel, all employees (current and former employees, provided they meet certain length-of-service conditions) are entitled to benefits in kind which take the form of reduced energy called the “employee rates”.

This benefit entitles employees to electricity and gas supplies at a reduced price. For the retirement phase, this represents a post-employment defined benefit which is recognized over the period during which the employee services are rendered. Retirees must have accumulated at least 15 years’ service in EGI sector companies to be eligible for the reduced energy price scheme.

In accordance with the agreements signed with EDF in 1951, Gaz de France provides gas to all current and former employees of Gaz de France and EDF, while EDF supplies these same beneficiaries with electricity. Gaz de France pays (or benefits from) the balancing contribution payable in respect of its employees as a result of energy exchanges between the two utilities.

The methods used to calculate these obligations have been harmonized within the new Group, which measures the obligation to provide energy at a reduced price to current and former employees as the difference between the energy sale price and the preferential rates granted.

18.2.1.2 End-of-career indemnities

Further to the reform of EGI pensions as of July 1, 2008, retiring employees (or their dependents in the event of death during active service) are entitled to end-of-career indemnities which increase in line with the length-of-service within the utilities.

18.2.1.3 Compensation for occupational accidents and illnesses

Like other employees under the standard pension scheme, EGI sector employees are entitled to compensation for accidents at work and other occupational illnesses. These benefits cover all employees or the dependents of employees who die as a result of occupational accidents or illnesses, or injuries suffered on the way to work.

The amount of the obligation corresponds to the likely present value of the benefits to be paid to current beneficiaries, taking into account any reversionary annuities.

18.2.2 Other companies

Most other Group companies also grant their staff post-employment benefits (pension and early retirement plans, end-of-career indemnities, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and length-of-service awards.

The main post-employment and other long-term benefit plans in the Group’s French and foreign subsidiaries are described below.

- In France, retirement bonuses are paid to employees, and the amount, set by the applicable collective bargaining agreement, is defined in terms of a number of months’ salary calculated based on the employee’s length of service at retirement. Certain French subsidiaries also offer supplementary defined benefit plans that guarantee a level of annuity upon retirement.
- In Germany, the Group’s various subsidiaries have implemented some or all of the following plans: defined benefit plans, early retirement plans, length-of-service bonuses, benefits in kind, and individual retirement commitments.
- In Italy, employees are entitled to deferred compensation (“Trattamento di Fine Rapporto - TFR”) at the end of their employment contract, for example upon retirement.
- In the United States and United Kingdom, annuities paid on retirement are generally determined as a percentage of the final salary.

Defined benefit pension plans may be fully or partly pre-funded by employer contributions to a pension fund (as is the case in the United States and United Kingdom) or a dedicated fund managed by an insurance company (France). Plan assets are funded by contributions paid by the company and, in some cases, by employees.

With the exception of the United States, other employee benefit plans and other long-term benefits are generally not pre-funded.

18.2.3 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans, covering pension, death and di, sability benefits legally paid in the form of annuities. Multi-employer plans are particularly common in the Netherlands, where electricity and gas sector employees are normally required to participate in a compulsory industry-wide scheme.

Multi-employer plans can be classified as either defined contribution or defined benefit plans, depending on the terms and conditions applicable to the plan (and any constructive obligation beyond the formal terms and conditions of the plan). In the absence of any regulations governing the calculation of the share of the underlying financial position and the performance attributable to each participating employer, and in the absence of a contractual agreement between the scheme and the participants on the financing of any shortfall (or distribution of any surplus), these multi-employer plans are treated by GDF SUEZ as defined contribution plans in accordance with IAS 19.

This concerns mainly Energy Services subsidiaries based in the Netherlands (mainly GTI Nederland and Axima Services B.V.), together with Electrabel Nederland and SITA Nederland, which participate in three multi-employer plans: Pensioenfonds Metaal en Techniek (PMT), Stichting Bedrijfstakpensioenfonds voor het beroepsvervoer over de weg (BPF Vervoer) and Algemeen Burgerlijk Pensioenfonds (ABP).

The financial crisis has lowered the funding status of the majority of Dutch multi-employer plans, and all three plans are required to raise their funding levels. In November 2008, the ABP and PMT funds, which had a funding surplus of 140%at end-2007, announced that they were 103.9%-funded and 86%-funded, respectively.

The Dutch pensions regulator, De Nederlandse Bank, requires pension funds to be at least 125%-funded. Funds that fail to meet this requirement must produce a funding program covering a period of 15 years. If the level of funding falls below 105%, a three-year refinancing plan must be put in place to restore the funding level to the required minimum rate.

Accordingly, none of these funds will be indexed to current retirement annuities, unlike the large majority of Dutch pension plans. The level of contributions will be lifted in 2009, up 2.04%for ABP, between 6%and 8.33%for PMT, and up 0.5%for BPF Vervoer (employer contributions only). The amount of the exemption applied to the salary that determines thus the portion of salary to be taken into account in the pension calculation has been increased 2.5%by ABP, 3.5%by PMT, and 2%by BPF Vervoer. This will result in a reduction of the future benefit obligation. To date, there are no plans to require employers to make a one-off catch-up payment.

18.3 Defined benefit plans

18.3.1 Change in projected benefit obligation

The GDF SUEZ Group's defined benefit obligations are as follows:

		Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
In millions of euros		Pension benefit obliga-tions (a)	Other benefit obliga-tions (b)	Total benefit obliga-tions	Pension benefit obliga-tions (a)	Other benefit obliga-tions (b)	Total benefit obliga-tions	Pension benefit obliga-tions (a)	Other benefit obliga-tions (b)	Total benefit obliga-tions
A - CHANGE IN PROJECTED BENEFIT OBLIGATION										
Projected benefit obligation at January 1		(4,065.8)	(713.1)	(4,778.9)	(4,412.9)	(804.2)	(5,217.1)	(5,446.4)	(1,060.7)	(6,507.1)
Service cost		(152.5)	(38.3)	(190.9)	(113.3)	(41.5)	(154.8)	(115.9)	(26.6)	(142.5)
Interest cost		(262.7)	(72.6)	(335.4)	(208.8)	(32.7)	(241.5)	(200.3)	(32.2)	(232.5)
Contributions paid		(7.8)		(7.8)	(7.8)		(7.8)	(8.6)		(8.6)
Amendments		7.1	6.0	13.1	(55.7)		(55.7)	1.4	(1.5)	(0.1)
Acquisitions/disposals of subsidiaries		(1,698.1)	(1,420.3)	(3,118.4)	8.7	(0.6)	8.1	918.6	250.7	1,169.3
Curtailments/settlements (*)		105.0	0.3	105.4	154.9	4.1	159.0	129.4	1.5	130.9
Special terminations		4.3	(2.0)	2.4	(6.0)	(2.5)	(8.5)	(8.8)	(1.6)	(10.4)
Actuarial gains and losses		(24.1)	(24.5)	(48.6)	273.0	115.1	388.1	21.8	1.3	23.1
Benefits paid		337.7	82.5	420.2	297.1	39.9	337.0	306.1	48.1	354.2
Other (translation adjustments)		122.8	(5.2)	117.6	5.0	9.1	14.1	(10.1)	16.8	6.7
Projected benefit obligation at December 31	**A**	**(5,634.0)**	**(2,187.0)**	**(7,821.0)**	**(4,065.8)**	**(713.1)**	**(4,778.9)**	**(4,412.9)**	**(804.2)**	**(5,217.0)**
B - CHANGE IN FAIR VALUE OF PLAN ASSETS										
Fair value of plan assets at January 1		2,452.0	46.9	2,499.0	2,406.4	46.9	2,453.3	2,561.0	47.8	2,608.8
Expected return on plan assets		199.4	3.1	202.5	132.7	3.3	136.0	126.9	3.2	130.0
Actuarial gains and losses		(528.0)	(11.5)	(539.5)	49.8	1.5	51.3	31.0	0.4	31.4
Contributions received		275.8	40.3	316.0	238.9	39.1	278.0	282.6	47.5	330.1
Acquisitions/disposals of subsidiaries		1,856.5		1,856.5	(2.3)		(2.3)	(259.6)		(259.6)
Settlements		(9.3)		(9.3)	(63.5)		(63.5)	(16.6)		(16.6)
Benefits paid		(330.1)	(40.3)	(370.4)	(297.1)	(39.9)	(337.0)	(306.1)	(48.1)	(354.2)
Other (translation adjustments)		(84.8)	1.5	(83.3)	(12.9)	(4.0)	(16.9)	(12.7)	(3.9)	(16.6)
Fair value of plan assets at December 31	**B**	**3,831.3**	**40.0**	**3,871.3**	**2,452.0**	**46.9**	**2,498.9**	**2,406.4**	**46.9**	**2,453.2**
C - FUNDED STATUS	**A+B**	**(1,802.7)**	**(2,147.0)**	**(3,949.7)**	**(1,613.8)**	**(666.2)**	**(2,280.0)**	**(2,006.5)**	**(757.3)**	**(2,763.8)**
Unrecognized past service cost		12.3	(14.2)	(1.9)	(1.2)	(15.3)	(16.5)	5.6	(17.4)	(11.7)
Asset ceiling (**)		(10.0)	(0.7)	(10.7)	(1.9)		(1.9)	(0.3)		(0.3)
NET BENEFIT OBLIGATION	**A+B**	**(1,800.5)**	**(2,162.0)**	**(3,962.3)**	**(1,616.9)**	**(681.5)**	**(2,298.4)**	**(2,000.9)**	**(774.8)**	**(2,775.7)**
ACCRUED BENEFIT LIABILITY		(1,987.3)	(2,163.5)	(4,150.8)	(1,662.1)	(684.1)	(2,346.2)	(2,019.6)	(777.4)	(2,797.0)
PREPAID BENEFIT COST		186.9	1.6	188.5	45.2	2.6	47.8	18.7	2.6	21.3

(*) In 2008, this item includes €82 million in plan curtailments and €23 million in plan settlements.
(**) Including additional provisions set aside on application of IFRIC 14.
(a) Pensions and retirement bonuses.
(b) Length-of-service awards, healthcare and other post-employment benefits.

Changes in the scope of consolidation in 2008 essentially reflect the net obligations of Gaz de France companies which were consolidated for the first time at July 1, 2008, in an amount of €1.355 million.

To comply with IFRIC 14, an additional provision of €10.7 million was booked at December 31, 2008. The loss is recognized in equity in the statement of recognized income and expense (SORIE).

The Group considers that the calculation of statutory lay-off indemnities resulting from article 11 of the National Interprofessional Accord ("ANI") signed in January 2008 does not apply to indemnities due in the event of voluntary retirement. This was confirmed by an interpretation signed by the ANI on December 15, 2008. The application of these provisions would have had no impact on the Group's earnings or on its pension obligation.

18.3.2 Change in reimbursement rights

The Group's obligations as presented above are grossed up with the reimbursement rights resulting from the pension obligations of the inter-municipal companies and against the portion of plan assets held by Contassur following its reclassification as a related party(1)(1). Reimbursement rights described below are recorded in the balance sheet under "Other assets".

18.3.2.1 Electrabel reimbursement right

Obligations towards employees of Electrabel's distribution business are covered by a reimbursement right granted by the inter-municipal companies. The inter-municipal companies in the Walloon region do not have staff of their own and use Electrabel's distribution services, skills and experience for the day-to-day operation of the networks. All related personnel costs (including pension costs) are billed by Electrabel to the inter-municipal companies based on actual costs incurred.

In light of Electrabel's right to reimbursement from the inter-municipal companies, pension obligations in relation to distribution employees (€296 million at December 31, 2008) are subsequently grossed up with the receivable recognized as an asset in the same amount.

This item decreased significantly in 2006 due to the transfer of distribution employees to Eandis and BNO.

Changes in the fair value of Electrabel's reimbursement rights during 2008 may be summarized as follows:

In millions of euros	2008	2007	2006
Fair value at January 1	**310**	**377**	**1,353**
Changes in scope of consolidation			(915)
Actuarial gains and losses	40	(27)	15
Net proceeds for the year	(14)	24	(23)
Contributions paid	(40)	(64)	(53)
FAIR VALUE AT DECEMBER 31	**296**	**310**	**377**

18.3.2.2 Reimbursement right relating to Contassur

Modifications to IAS 19 in 2000 concerning the notion of related parties led the Group to gross up its pension obligations against the plan assets held by Contassur, and to recognize them as reimbursement rights under assets on the consolidated balance sheet. This operation had no impact on the consolidated income statement.

Changes in the fair value of the reimbursement rights relating to Contassur during 2008 are summarized below.

The decrease in fair value in 2006 also reflects the transfer of employees to Eandis and BNO.

(1) *Although Contassur is subject to the same management and control obligations as any insurance company, due to the structure of its customer base and the composition of its executive management, it is considered that the GDF SUEZ Group has the power to influence the company's management.*

In millions of euros	2008	2007	2006
Fair value at January 1	**179.3**	**187.2**	**308.0**
Expected return on plan assets	8.6	10.8	12.8
Actuarial gains and losses	(33.7)	4.7	0.7
Actual return	(25.0)	15.5	13.5
Employer contributions	12.2	8.4	12.3
Employee contributions	2.7	2.5	2.6
Acquisitions/disposals excluding business combinations	(6.6)	(6.1)	(50.5)
Curtailments		(12.5)	(82.1)
Benefits paid	(15.4)	(15.7)	(16.6)
FAIR VALUE AT DECEMBER 31	**147.2**	**179.3**	**187.2**

18.3.3 Actuarial gains and losses recognized in equity

Net actuarial gains recognized in equity amounted to €600 million at December 31, 2008 compared to net actuarial losses of €85.9 million at end-2007.

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
At January 1	**(85.9)**	**310.6**	**365.0**
Actuarial (gains)/losses generated during the year	685.9	(396.5)	(54.4)
AT DECEMBER 31	**600.0**	**(85.9)**	**310.6**

Actuarial gains and losses presented in the above table include translation adjustments. In the statement of recognized income and expense, translation adjustments are shown separately.

18.3.4 Reconciliation with provisions carried in the balance sheet

The table below shows the reconciliation of pension liabilities with provisions carried in the balance sheet:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Provision for pensions	1,987.3	1,662.1	2,020.6
Provision for other post-employment and long-term benefits	2,163.5	684.1	776.9
TOTAL PROVISION	**4,150.8**	**2,346.2**	**2,797.5**

The yearly changes in pension liabilities and prepaid costs carried in the balance sheet can be broken down as follows:

In millions of euros	Liabilities	Assets
Balance at December 31, 2006	**(2,797.0)**	**21.3**
Exchange rate differences	(2.0)	(0.4)
Changes in scope of consolidation and other	8.9	(9.0)
Actuarial gains and losses	348.4	35.0
Period pension cost	(165.3)	(8.7)
Contributions	260.7	9.5
Balance at December 31, 2007	**(2,346.3)**	**47.7**
Exchange rate differences	34.3	
Changes in scope of consolidation and other	(1,610.6)	348.7
Actuarial gains and losses	(383.5)	(204.6)
Period pension cost	(234.6)	23.3
Asset ceiling/IFRIC 14	14.1	(2.4)
Contributions/Benefits paid	375.7	(24.2)
Balance at December 31, 2008	**(4,150.8)**	**188.5**

18.3.5 Components of the net periodic pension cost

The net periodic cost recognized in respect of defined benefit obligations for the years ended December 31, 2008, 2007 and 2006 breaks down as follows:

In millions of euros	2008	2007	2006
Current service cost	**190.8**	**154.7**	**142.5**
Interest cost	335.3	241.4	232.5
Expected return on plan assets	(202.5)	(136.0)	(130.0)
Actuarial gains and losses	2.2	(55.9)	3.9
Past service cost	(31.2)	59.3	1.0
Gains or losses on pension plan curtailments, terminations and settlements	(91.7)	(99.9)	(114.3)
Special terminations	8.4	10.3	10.4
Asset ceiling		0.0	(0.3)
TOTAL	**211.3**	**174.0**	**145.6**
o/w recorded in current operating income	78.5	68.6	43.2
o/w recorded in net financial income/(loss)	132.8	105.4	102.5

18.3.6 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested in pension funds and/or with insurance companies, depending on the investment practices specific to the country concerned. The investment strategies underlying these defined benefit plans are aimed at striking the right balance between return on investment and acceptable levels of risk.

The objectives of these strategies are twofold: to maintain sufficient income streams and liquidity to cover pension and other benefit payments; and as part of risk management, to achieve a long-term rate of return higher than the discount rate or where appropriate, at least equal to future required returns.

When plan assets are invested in pension funds, investment decisions and the allocation of plan assets are the responsibility of the fund manager concerned. For French companies, where plan assets are invested with an insurance company, the latter manages the investment portfolio for unit-linked policies and guarantees a rate of return on assets in euro-denominated policies. These diversified funds are actively managed by reference to composite indexes and adapted to the long-term profile of the liabilities, taking into account eurozone government bonds and shares in front-ranking companies within and outside the eurozone.

The insurer's sole obligation is to ensure a fixed minimum return on assets in euro-denominated funds.

The funding of these obligations at December 31 for each of the periods presented can be analyzed as follows:

	Projected benefit obligation	Fair value of plan assets	Unrecognized past service cost	Asset ceiling (*)	Total net obligations
Underfunded plans	(4,686.8)	2,251.0	(12.6)	(8.5)	(2,456.9)
Overfunded plans	(1,426.3)	1,620.3	(1.5)	(2.2)	190.4
Unfunded plans	(1,708.0)		12.2		(1,695.8)
TOTAL AT DECEMBER 31, 2008	**(7,821.0)**	**3,871.3**	**(1.9)**	**(10.7)**	**(3,962.3)**
Underfunded plans	(3,319.5)	1,890.5	(12.0)		(1,441.0)
Overfunded plans	(561.8)	608.4	(2.0)	(1.9)	42.7
Unfunded plans	(897.7)		(2.4)		(900.1)
TOTAL AT DECEMBER 31, 2007	**(4,778.9)**	**2,498.9**	**(16.4)**	**(1.9)**	**(2,298.4)**
Underfunded plans	(3,729.6)	2,119.6	(5.8)		(1,615.8)
Overfunded plans	(322.7)	333.6	0.0	(0.2)	10.8
Unfunded plans	(1,164.7)	0.0	(5.9)		(1,170.6)
TOTAL AT DECEMBER 31, 2006	**(5,217.0)**	**2,453.2**	**(11.7)**	**(0.2)**	**(2,775.7)**

(*) Including additional provisions set aside on application of IFRIC 14.

The allocation of plan assets by principal asset category can be analyzed as follows:

	2008	2007	2006
Equities	26%	32%	33%
Bonds	47%	47%	45%
Real estate	3%	6%	7%
Other (including money market securities)	24%	15%	15%
TOTAL	**100%**	**100%**	**100%**

18.3.7 Actuarial assumptions

Actuarial assumptions are determined individually per country and company in association with independent actuaries. Weighted discount rates are presented below:

	Pension benefit obligations			Other benefit obligations			Total benefit obligations		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Discount rate	5.2%	5.6%	4.8%	5.2%	5.1%	4.2%	5.2%	5.5%	4.7%
Estimated future increase in salaries	3.5%	3.6%	3.7%	3.5%	3.4%	3.5%	3.5%	3.6%	3.7%
Expected return on plan assets	6.9%	6.1%	5.6%	6.4%	6.9%	6.5%	6.8%	6.1%	5.6%
Average remaining working lives of participating employees	13 years	12 years	12 years	13 years	14 years	13 years	13 years	12 years	12 years

18.3.7.1 Discount rate

The discount rate applied is determined based on the yield, at the date of the calculation, on top-rated corporate bonds with maturities mirroring the likely maturity of the plan.

The discount rates used for EUR, USD and GBP represent 10, 15, and 20 year rates on AA composite indexes referenced by Bloomberg. In Switzerland, the discount rate is the yield on government bonds with the same maturity as the pension plans.

According to the Group's estimates, a +/-1%change in the discount rate would result in a change of approximately 8.8%in the obligations.

18.3.7.2 Expected return on plan assets

To calculate the expected return on plan assets, the portfolio is divided into sub-groups of homogenous components sorted by major asset class and geographic area, based on the composition of the benchmark indexes and volumes in each fund at December 31 of the previous year.

An expected rate of return is assigned to each sub-group for the period, based on information published by a third party. The fund's overall performance in terms of absolute value is then compiled and compared with the value of the portfolio at the beginning of the period.

The expected return on plan assets is calculated in light of market conditions and based on a risk premium. The risk premium is calculated by reference to the supposedly risk-free rate on government bonds, for each major asset class and geographical area.

The expected return on reimbursement rights is 5%.

In light of the crisis in the financial markets, the value of plan assets relating to the Group's Belgian entities in 2008 was estimated assuming a positive 5%return on plan assets managed by insurance companies and a negative 20%return on assets managed by pension funds. This assumption was in line with the returns calculated at year-end.

The return on plan assets for companies eligible for the EGI pension scheme was a negative 10%in 2008.

18.3.7.3 Other assumptions

The rate of increase in medical costs (including inflation) was estimated at 3.2%.

A one percentage point change in the assumed increase in healthcare costs would have the following impacts:

In millions of euros	One point increase	One point decrease
Impact on expenses	4.4	(3.6)
Impact on pension obligations	45.4	(37.9)

18.3.8 Experience adjustments

The breakdown of experience adjustments giving rise to actuarial gains and losses is as follows:

	Dec. 31, 2008		Dec. 31, 2007	
In millions of euros	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Projected benefit obligation	(5,634.0)	(2,187.0)	(4,065.8)	(713.1)
Fair value of plan assets	3,831.3	40.0	2,452.0	46.9
Surplus/deficit	(1,802.7)	(2,147.0)	(1,613.8)	(666.2)
Experience adjustments to projected benefit obligation	(95.0)	12.0	(11.9)	(61.7)
Experience adjustments to fair value of plan assets	528.0	11.5	(9.0)	1.2

18.3.9 Geographical breakdown of obligations

In 2008, the geographical breakdown of the main obligations and actuarial assumptions (including inflation) were as follows:

	Eurozone		UK		US		Rest of the world	
In millions of euros	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Net benefit obligations	(1,464)	(2,028)	(20)	(0)	(73)	(67)	(244)	(66)
Discount rate	5.2%	5.2%	6.4%	-	6.4%	6.2%	7.8%	5.0%
Estimated future increase in salaries	3.4%	3.4%	3.9%	-	3.5%	3.5%	4.3%	4.6%
Expected return on plan assets	6.9%	6.4%	7.2%	-	8.5%	8.5%	5.7%	5.4%
Average remaining working lives of participating employees (years)	13	13	13	-	13	13	9	14

18.3.10 Payments due in 2009

The Group expects to pay around €152 million in recurring contributions into its defined benefit plans in 2009, including €57 million for EGI sector companies. Annual contributions in respect of EGI sector companies will be made by reference to rights vested in the year, taking into account the funding level for each entity in order to even out contributions over the medium term.

In light of the financial crisis, the Group expects a slight rise in its contributions for 2009. A one-off premium of €30 million will also be paid in 2009 under the Elgabel plan.

18.4 Defined contribution plans

In 2008, the Group recorded a €113 million charge in respect of amounts paid into Group defined contribution plans (€99 million in 2007).

These contributions are recorded under “Personnel costs” in the consolidated income statement.

NOTE 19 EXPLORATION & PRODUCTION ACTIVITIES

19.1 Exploration & Production assets

This caption includes the following items:

In millions of euros	Licenses	Plant and equipment	Total capitalized E&P assets
A. GROSS AMOUNT			
At December 31, 2007	**0**	**0**	**0**
Changes in scope of consolidation	**171.8**	**5,516.1**	**5,687.9**
Acquisitions	186.3	1,293.8	1,480.1
Disposals		(63.2)	(63.2)
Translation adjustments	(15.4)	(501.8)	(517.2)
Other	61.1	(71.2)	(10.1)
At December 31, 2008	**403.8**	**6,173.7**	**6,577.5**
B. ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT			
At December 31, 2007	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
Amortization, depreciation and impairment	42.5	372.2	414.7
Disposals		(14.5)	(14.5)
Translation adjustments	(5.6)	(164.6)	(170.2)
Other		0.0	0.0
At December 31, 2008	**36.9**	**193.0**	**230.0**
C. CARRYING AMOUNT			
At December 31, 2008	**366.9**	**5,980.7**	**6,347.5**

Changes in scope of consolidation chiefly reflect the first-time consolidation of Gaz de France and its subsidiaries, while acquisitions for the period mainly include oil and gas fields located in the Dutch North Sea for €768 million.

19.2 Capitalized exploration costs

The following table provides a breakdown of the net change in capitalized exploration costs:

At December 31, 2007	0
Changes in the scope of consolidation	206
Capitalized costs pending determination of proven reserves	163
Amounts previously capitalized and expensed during the year	(53)
Amounts transferred to assets in progress	(41)
Other	0
At December 31, 2008	**275**

NOTE 20 FINANCE LEASES

20.1 Finance leases for which GDF SUEZ acts as lessee

The carrying amounts of property, plant and equipment held under finance leases are broken down into different asset categories depending on their type.

The main finance lease agreements entered into by the Group primarily concern Novergie's incineration facilities, the Choctaw power station in the United States and Elyo's co-generation plants.

The present values of future minimum lease payments break down as follows:

	Future minimum lease payments at Dec. 31, 2008		Future minimum lease payments at Dec. 31, 2007		Future minimum lease payments at Dec. 31, 2006	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value	Undiscounted value	Present value
Year 1	240.3	227.0	156.6	151.1	153.5	148.9
Years 2 to 5 inclusive	803.5	706.6	483.0	421.4	516.8	462.0
Beyond year 5	913.6	485.8	924.8	501.2	1,064.3	606.2
TOTAL FUTURE MINIMUM LEASE PAYMENTS	1,957.3	1,419.4	1,564.4	1,073.7	1,734.7	1,217.1

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in note 14.2.1 with the maturities of undiscounted future minimum lease payments:

In millions of euros	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
Liabilities under finance leases	1,532.4	185.0	561.7	785.7
Impact of discounting future repayments of principal and interest	425.0	55.3	241.8	127.9
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	1,957.3	240.3	803.5	913.6

20.2 Finance leases for which GDF SUEZ acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They concern (i) energy purchase and sale contracts where the contract conveys an exclusive right to use a production asset; and (ii) certain contracts with industrial customers relating to assets held by the Group.

The Group has recognized finance lease receivables for Solvay, Total (Belgium), Bowin (Thailand) and Air Products (Netherlands) in relation with co-generation plants. It has also recognized finance lease receivables on the sale of transmission capacities in Mexico.

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Undiscounted future minimum lease payments	628.5	399.5	464.5
Unguaranteed residual value accruing to the lessor	27.5	21.8	24.0
TOTAL GROSS INVESTMENT IN THE LEASE	**656.0**	**421.3**	**488.5**
Unearned financial income	**125.9**	**137.8**	**165.7**
NET INVESTMENT IN THE LEASE	**530.2**	**283.5**	**322.8**
• o/w present value of future minimum lease payments	518.6	274.9	312.8
• o/w present value of unguaranteed residual value	11.6	8.6	10.0

Amounts recognized in the consolidated balance sheet in connection with finance leases are detailed in note 14.1.2 "Loans and receivables carried at amortized cost".

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Year 1	106.5	36.4	37.2
Years 2 to 5 inclusive	283.7	142.4	147.2
Beyond year 5	238.3	220.7	280.1
TOTAL	**628.5**	**399.5**	**464.5**

NOTE 21 OPERATING LEASES

21.1 Operating leases for which GDF SUEZ acts as lessee

The Group has entered into operating leases mainly in connection with LNG tankers, and miscellaneous buildings and fittings.

Operating lease income and expense for 2008, 2007 and 2006 can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Minimum lease payments	(653.6)	(359.8)	(403.4)
Contingent lease payments	(139.9)	(149.3)	(161.6)
Sub-letting income	20.7	8.5	4.1
Sub-letting expenses	(99.4)	(25.6)	(2.5)
Other operating lease expenses	(72.7)	(86.1)	(115.9)
TOTAL	**(944.9)**	**(612.3)**	**(679.3)**

Future minimum lease payments under non-cancelable operating leases can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Year 1	439.3	296.1	221.3
Years 2 to 5 inclusive	1,209.6	913.1	663.1
Beyond year 5	1,077.2	1,105.4	820.5
TOTAL	**2,726.2**	**2,314.6**	**1,704.9**

21.2 Operating leases for which GDF SUEZ acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They concern primarily the HHPC plant in Thailand, the BAYMINA plant in Turkey, and the HOPEWELL and RED HILLS plants in the United States. Operating lease income for 2008, 2007 and 2006 can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Minimum lease payments	310.4	676.4	668.5
Contingent lease payments	0.0	0.0	43.1
TOTAL	**310.4**	**676.4**	**711.6**

Future minimum lease payments receivables under non-cancelable operating leases can be analyzed as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Year 1	551.4	422.4	458.0
Years 2 to 5 inclusive	2,002.2	1,463.2	1,591.1
Beyond year 5	2,186.9	2,084.7	2,487.3
TOTAL	**4,740.5**	**3,970.3**	**4,536.4**

NOTE 22 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.

IFRIC 12 published in November 2006 prescribes the accounting treatment applicable to concession arrangements meeting certain criteria in which the concession grantor is considered to control the related infrastructure (see note 1.4.7).

As described in SIC 29, a service concession arrangement generally involves the grantor conveying for the period of the concession to the operator:

(a) the right to provide services that give the public access to major economic and social facilities; and

(b) in some cases, the right to use specified tangible assets, intangible assets, and/or financial assets;

in exchange for the operator:

(c) committing to provide the services according to certain terms and conditions during the concession period; and

(d) when applicable, committing to return at the end of the concession period the rights received at the beginning of the concession period and/or acquired during the concession period.

The common characteristic of all service concession arrangements is that the operator both receives a right and incurs an obligation to provide public services.

The Group manages a large number of concessions as defined by SIC 29 covering drinking water distribution, water treatment, waste collection and treatment, and gas and electricity distribution.

These concession arrangements set out rights and obligations relative to the infrastructure and to the public service, in particular the obligation to provide users with access to the public service. In certain concessions, a schedule is defined specifying the period over which users should be provided access to the public service. The terms of the concession arrangements vary between 10 and 65 years, depending mainly on the level of capital expenditures to be made by the concession operator.

For consideration of these obligations, GDF SUEZ is entitled to bill either the local authority, the grantor of the concession, (mainly incineration and BOT water treatment contracts) or the users (contracts for the distribution of drinking water or gas and electricity) for the services provided. This right to bill gives rise to an intangible asset, a tangible asset, or a financial asset, depending on the applicable accounting model (see note 1.4.7).

The tangible asset model is used when the concession grantor does not control the infrastructure. For example, this is the case of water distribution concessions in the United States, which do not provide for the return of the infrastructure to the grantor of the concession at the end of the contract (and the infrastructure therefore remains the property of GDF SUEZ), and gas distribution concessions in France, which fall within the scope of law no. 46-628 of April 8, 1946.

A general obligation also exists to return the concession infrastructure to good working condition at the end of the concession. Where appropriate (see note 1.4.7), this obligation leads to the recognition of a capital renewal and replacement liability (see note 14.2.3).

Services are generally billed at a fixed price which is linked to a particular index over the term of the contract. However, contracts may contain clauses providing for price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions forecast at the inception of the contracts. By exception, contracts exist in certain countries (e.g., the United States and Spain) which set the price on a yearly basis according to the costs incurred under the contract. These costs are therefore recognized in assets (see note 1.4.7). For the distribution of natural gas in France, the Group applies the ATRD rates set by the Minister for the Economy, Finance and Industry following consultation with the French Energy Regulatory Commission (CRE). Since July 1, 2008, the Group has applied the ATRD 3 rates set by the Ministerial decree of June 2, 2008. The ATRD 3 rates schedule introduced a new regulatory framework covering a period of four years and incorporating a number of productivity targets. The schedule was established based on capital charges made up of (i) depreciation expense and (ii) the rate of return on capital employed. These two components are computed by reference to the valuation of assets operated by the Group, known as the “Regulated Asset Base” (RAB). The RAB includes the following asset groups: pipelines and connections, pressure-regulation stations, meters, other technical facilities, buildings, and IT equipment. To determine the annual capital charges, the CRE applies a depreciation period ranging from 5 to 45 years depending on the asset concerned. Pipes and connections, which represent 95%of the assets included in the Regulated Asset Base, are depreciated over a period of 45 years. The rate of return on capital employed is calculated based on a return of 6.75%on the RAB (actual rate, before tax).

NOTE 23 CASH FLOWS

23.1 Reconciliation with income tax expense in the consolidated income statement

	Tax cash flows (income tax expense)		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impact in the income statement	**(911.9)**	**(527.5)**	**(815.1)**
• provisions for income taxes	58.4	(7.4)	5.8
• deferred tax [(a)]	41.8	(446.9)	29.6
• other [(b)]	(994.6)	(23.9)	(205.7)
Impact in the cash flow statement	**(1,806.3)**	**(1,005.6)**	**(985.4)**

(a) In 2007, deferred tax assets related to tax loss carry-forwards arising within the tax consolidation group were recognized in an amount of €500 million.
(b) In 2008, the "Other" line includes €944 million in additional income tax expense corresponding mainly to prepaid income tax disbursed by the tax consolidation groups headed by GDF SUEZ SA and SUEZ Environnement Company. These prepayments will be recovered in 2009 on settlement of the effective amount of income tax payables for 2008.

23.2 Reconciliation with net financial income/(loss) in the consolidated income statement

	Financial cash flows (net financial income/loss)		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impact in the income statement	**(1,494.1)**	**(722.1)**	**(731.0)**
Changes in amortized cost	62.4	37.2	28.2
Foreign currency translation and changes in fair value	129.8	(119.2)	64.5
Unwinding of discounting adjustments to provisions	489.0	372.5	340.4
Other	(0.7)	(20.7)	(16.6)
Impact in the cash flow statement	**(813.7)**	**(452.3)**	**(314.5)**

NOTE 24 SHARE-BASED PAYMENT

Expenses recognized in respect of share-based payment break down as follows:

		Expense for the year		
In million of euros	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Stock option plans	*24.1*	54.6	43.3	35.4
Employee share issues	*24.2*	-	35.0	-
Share Appreciation Rights (*)	*24.2*	15.5	2.0	15.9
Bonus/performance share plans	*24.3*	114.6	38.1	7.5
Exceptional bonus	*24.4*	5.5	6.7	0.0
TOTAL		**190.2**	**125.1**	**58.8**

(*) Set up within the scope of employees share issues in certain countries.

24.1 Stock option plans

24.1.1 Stock option policy

GDF SUEZ's stock option policy aims to closely involve executive and senior management, as well as high-potential managers, in the future development of the Group and in creating shareholder value.

The award of stock purchase or subscription options is also a means of retaining employee loyalty, both in terms of adhesion to Group values and commitment to strategic policies. Conditions for the award of options and the list of beneficiaries are approved by the Board of Directors in accordance with authorizations granted at Shareholders' Meetings.

In 2007, Executive Management reaffirmed its wish to maintain a growing base of beneficiaries, so as to preserve the coherence of SUEZ's policy in this area. The decision taken in 2000 not to apply a discount when determining the option price was renewed in 2008.

Since the Board of Directors' decision in 2005, the number of options awarded has been reduced and partly replaced by an award of bonus SUEZ shares, made available to more employees than were previously eligible for stock options.

In 2008, awards of bonus shares testified to these principles.

In connection with the US delisting procedure, stock options granted to employees of Group companies in the US were replaced in 2007 by a Share Appreciation Rights scheme, which entitles beneficiaries to a cash payment equal to the profit they would make on exercising their options and immediately selling the underlying shares.

Furthermore, the Board of Directors decided that the exercise of a portion of options awarded would be subject to certain conditions, provided for in the conditional system for the Group's senior managers and in the enhanced conditional system for members of the Group Executive Committee. Pursuant to the initial rules governing the plans and the Board of Directors' decision of October 18, 2006, the objectives defined as performance conditions applicable to stock option plans (described below) were lowered as a result of the merger with Gaz de France by applying a coefficient of 0.80.

Conditional system

2003 plan:

As the performance conditions were satisfied at November 17, 2007, the stock subscription options granted to the Group's senior managers and members of the Group Executive Committee may be exercised.

2004 plan and plans for subsequent years:

The exercise of half of the stock subscription options granted to the Group's senior managers and half of the options awarded to members of the Group Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system), is subject to a number of performance conditions.

These conditions are described below:

2004 plan: options may be exercised under this plan if, during the period from November 17, 2008 to November 16,.2012, the SUEZ share price is equal to or greater than the exercise price of €18.14, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 17, 2004 to November 17,.2008.

2005 plan: The options subject to this performance condition may be exercised if, during the period from December 8, 2009 to December 7, 2013, the SUEZ share price is equal to or greater than the exercise price of €24.20, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8,.2005 to December 8, 2009.

2006/2007 plan: These options may be exercised if, during the period from January 17, 2011 to January 16,.2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €38.89, adjusted for the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011.

November 2007 plan: These options may be exercised if, during the period from November 13, 2011 to November 13, 2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €44.37, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011.

2008 plan: options under this plan may be exercised if, during the period from November 9, 2012 to November 11, 2016, the GDF SUEZ share price reaches at least on one occasion a price equal to the option exercise price (€32.74) adjusted for the change in the Eurostoxx Utilities index observed over the period from November 11,.2008 to November 9, 2012.

Enhanced conditional system

Approximately 10%of the stock subscription options granted to members of the Group Executive Committee are subject to a more demanding performance condition. After deduction of this 10%portion, half of the remaining options are subject to the conditional system above, and the other half are free from performance conditions. If the conditions described below are met, then the associated options may be exercised; failing this, the options are irrevocably forfeited.

2004 plan: the performance conditions were met as of November 17, 2008 and the options may therefore be exercised.

2005 plan: the 10%of options subject to this enhanced performance condition may be exercised if the SUEZ share price on December 8, 2009 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the exercise price of the options, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8, 2005 to December 8, 2009, plus 1%per annum.

2006/2007 plan: the 10%of options subject to this enhanced performance condition may be exercised if the SUEZ share price on January 17, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011, plus 4%.

November 2007 plan: the 10%of options subject to this enhanced performance condition may be exercised if the SUEZ share price on November 14, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011, plus 4%.

2008 plan: the 10%of options subject to this enhanced performance condition may be exercised if the GDF SUEZ share price on November 12, 2012 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from November 11, 2008 to November 9, 2012, plus 4%.

24.1.2 Details of stock option plans in force until the merger with GDF

● STOCK SUBSCRIPTION OPTIONS

Plan	Date of authorizing AGM	Vesting date	Exercise price	Number of beneficia-ries per plan	Outstanding options at Dec. 31, 2007	Number of shares to be subscribed by the Executive Commit-tee (**)	Options exer-cised (***)	Options canceled	Outstanding options at Aug. 22, 2008 (unadjusted)	Expiration date	Residual life
11/28/2000 (*)	05/05/2000	11/28/2004	34.39	1,347	3,502,590	1,193,708	569,981	20,916	2,911,693	11/28/2010	1.9
12/21/2000 (*)	05/05/2000	12/21/2004	35.74	510	1,159,433	153,516	53,357	1,985	1,104,091	12/20/2010	2.0
11/28/2001 (*)	05/04/2001	11/28/2005	32.59	3,161	6,105,971	1,784,447	432,030	27,937	5,646,004	11/27/2011	2.9
11/20/2002 (*)	05/04/2001	11/20/2006	16.69	2,528	2,448,213	1,327,819	301,879	33,879	2,112,455	11/19/2012	3.9
11/19/2003 (*)	05/04/2001	11/19/2007	13.16	2,069	3,141,286	1,337,540	535,754	65,794	2,539,738	11/18/2011	2.9
11/17/2004 (*)	04/27/2004	11/17/2008	17.88	2,229	8,507,717	1,320,908	2,030	133,306	8,372,381	11/16/2012	3.9
12/09/2005	04/27/2004	12/09/2009	24.20	2,251	6,399,125	1,352,000	2,400	98,925	6,297,800	12/09/2013	4.9
01/17/2007	04/27/2004	01/16/2011	38.89	2,190	5,653,783	1,218,000	1,000	84,197	5,568,586	01/16/2015	6.0
11/14/2007	05/04/2007	11/13/2011	44.37	2,104	4,373,050	804,000	0	21,270	4,351,780	11/13/2015	6.9
TOTAL					41,291,168	10,491,938	1,898,431	488,209	38,904,528		

(*) Exercisable plans.

(**) Corresponding to the Management Committee at the time the options were awarded in 2000 and 2001.

(***) In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.

● STOCK PURCHASE OPTIONS

	Options	Average exercise price
Balance at December 31, 2007	**41,383,384**	**28.19**
Granted	0	
Exercised	(1,990,647)	25.34
Canceled	(488,209)	24.84
Balance at August 22, 2008 (*)	**38,904,528**	**28.38**

(*) *Adjustment calculation date (see section 24.2.3)*

24.1.3 Changes in plans since the merger with GDF

In accordance with the merger prospectus and the provisions of the French Commercial Code (Code de Commerce), all of the commitments undertaken by SUEZ towards beneficiaries whose stock options are currently vesting have been taken over by the new Group. The beneficiaries' individual rights have been adjusted to take into account (i) the spin-off of 65%of SUEZ Environnement Company to SUEZ shareholders, and (ii) the exchange ratio applicable to the merger. In compliance with the merger prospectus, these adjustments were made based on four inputs:

- the value of SUEZ shares before the spin-off(1)[(1)];
- the value of SUEZ Environnement Company shares(2)[(2)];
- the ratio for the spin-off (1 SUEZ Environnement Company share for 4 SUEZ shares);
- the exchange ratio applicable to the merger (21 GDF SUEZ shares for 22 SUEZ shares).

After these adjustments, the 38.904.528 options on SUEZ shares outstanding at the date of the spin-off/merger increase to 41.320.974 options on GDF SUEZ shares. The adjustments were effective on August 22, 2008, fifteen days after SUEZ Environnement Company was floated on the stock market.

Plan	Date of authorizing AGM	Vesting date	Adjusted exercise price	Number of beneficiaries per plan	Outstanding options at Aug. 22, 2008 (adjusted)	Number of shares to be subscribed by the Executive Committee (**)	Options exercised (***)	Options canceled	Outstanding options at Dec. 31, 2008	Expiration date	Residual life
11/28/2000 (*)	05/05/2000	11/28/2004	32.38	1,347	3,092,541	1,193,708	15,858	1,126	3,075,557	11/28/2010	1.9
12/21/2000 (*)	05/05/2000	12/21/2004	33.66	510	1,172,404	153,516	27,671	0	1,144,733	12/20/2010	2.0
11/28/2001 (*)	05/04/2001	11/28/2005	30.70	3,161	5,995,205	1,784,447	77,090	1,126	5,916,989	11/27/2011	2.9
11/20/2002 (*)	05/04/2001	11/20/2006	15.71	2,528	2,243,921	1,327,819	112,657	2,813	2,128,451	11/19/2012	3.9
11/19/2003 (*)	05/04/2001	11/19/2007	12.39	2,069	2,697,296	1,337,540	392,600	0	2,304,696	11/18/2011	2.9
11/17/2004 (*)	04/27/2004	11/17/2008	16.84	2,229	8,892,824	1,320,908	1,479,442	4,043	7,409,339	11/16/2012	3.9
12/09/2005	04/27/2004	12/09/2009	22.79	2,251	6,689,902	1,352,000	5,822	16,993	6,667,087	12/09/2013	4.9
01/17/2007	04/27/2004	01/16/2011	36.62	2,190	5,914,003	1,218,000		9,943	5,904,060	01/16/2015	6.0
11/14/2007	05/04/2007	11/13/2011	41.78	2,104	4,622,878	804,000		6,040	4,616,838	11/13/2015	6.9
11/12/2008	07/16/2008	11/12/2012	32.74	3,753		2,615,000			7,645,990	11/11/2016	7.9
TOTAL					**41,320,974**	**13,106,938**	**2,111,140**	**42,084**	**46,813,740**		

(*) *Exercisable plans.*

(**) *Corresponding to the Management Committee at the time the options were awarded in 2000 and 2001.*

(***) *In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.*

(1) The value of the SUEZ share was its weighted average price on the Paris stock market in the three days preceding the spin-off (€44.6194).

(2) The value of the SUEZ Environnement Company share was its weighted average price on the Paris stock market in the 15 days preceding its listing (€18.0449).

	Options	Average exercise price
Balance at August 22, 2008	**41,320,974**	**26.72**
Granted	7,645,990	32.74
Exercised	(2,111,140)	16.81
Canceled	(42,084)	28.21
Balance at December 31, 2008	**46,813,740**	**27.71**

The average price of the SUEZ share in the first half of 2008 was €43.79, while the average price of the GDF SUEZ share from the date of the merger to December 31, 2008 was €34.75.

24.1.4 Fair value of stock option plans in force

Stock option plans are valued based on a binomial model using the following assumptions:

	2008 plan	November 2007 plan	January 2007 plan	2005 plan	2004 plan
Volatility [(a)]	35.16%	33.71%	32.87%	31.25%	29.66%
Risk-free rate [(b)]	3.63%	4.03%	4.00%	3.25%	3.70%
In euros					
Dividend [(c)]	1.39	1.34	1.2	0.8	0.8
Fair value of options at the grant date	9.33	15.04	12.28	7.24	4.35

(a) Volatility corresponds to a moving average of volatilities over the life of the plan.
(b) The risk-free interest rate corresponds to a risk-free rate over the life of the plan.
(c) Last dividend paid/recommended.

24.1.5 Accounting impact

Based on a staff turnover assumption of 5%, the expense recorded during the period in relation to stock option plans was as follows:

Grant date	Expense for the year		
In million of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
11/20/2002			9.4
11/19/2003		5.1	5.8
11/17/2004	7.9	9.0	9.0
12/09/2005	11.2	11.2	11.2
01/17/2007	17.1	15.9	
11/14/2007	15.9	2.1	
11/12/2008	2.5		
TOTAL	**54.6**	**43.3**	**35.4**

As allowed under IFRS 2, an expense has been recognized only for options granted after November 7, 2002 that had not yet vested at January 1, 2005.

Adjustments made to beneficiaries' rights following the merger have no impact on the expense for the period.

24.1.6 Share Appreciation Rights

The award of Share Appreciation Rights (SARs) to US employees in November 2007 and November 2008 (as replacement for stock options) does not have a material impact on the Group's financial statements.

24.2 Employee share issues

24.2.1 Description of plans available

Employees are entitled to subscribe to share issues under Group corporate savings plans. They may subscribe to either:

- The Spring Classique plan: this plan allows employees to subscribe to SUEZ shares either directly or via an employee investment fund at lower than current market prices; or
- The Spring Multiple plan: under this plan, employees may subscribe to SUEZ shares, either directly or via an employee investment fund. The plan also entitles them to benefit from any appreciation in the SUEZ share price (leverage effect) at the end of the mandatory holding period.

Share Appreciation Rights (SARs): this leveraged plan entitles beneficiaries to receive a cash bonus equal to the appreciation in the Company's stock after a period of five years. The resulting employee liability is covered by warrants.

24.2.2 Accounting impact

There were no employee share issues in 2008.

The accounting impact of these cash-settled Share Appreciation Rights consists in recognizing a payable to the employee over the vesting period of the rights, with the corresponding adjustment recorded in income. At December 31, 2008, the fair value of the liability related to these awards in 2004, 2005 and 2007 amounted to €26 million.

The fair value of the liability is determined using the Black & Scholes model.

The impact of these awards on the consolidated income statement – including coverage by warrants – is a negative €15.5 million.

24.3 Bonus/performance share plans

24.3.1 Bonus share policy prior to the merger

At its meeting of May 28, 2008, the Board of Directors of Gaz de France decided to put in place a bonus share plan offering 1.5 million shares to its employees, subject to a vesting period of two years. A portion of the shares under this plan are also subject to certain performance conditions. The Group has purchased treasury shares in order to cover its commitment.

Bonus shares are awarded on the basis of several conditions:

- presence in the Group;
- a performance condition relating to the Gaz de France Group and applicable as from the sixteenth share awarded: the Group's organic gross operating surplus must increase 5%per year on average in 2008 and 2009;
- mandatory holding period of at least two years (three years in certain countries), at the end of which the shares will be freely available to beneficiaries.

As part of a three-year global financial incentive scheme implemented in 2007 to involve employees more closely in the Group's performance, the Board of Directors of the SUEZ Group awarded 15 bonus shares to each employee in 2008, representing a total of 2.2 million bonus shares.

Bonus shares are awarded on the basis of several conditions:

- a performance condition based on Group EBITDA;
- presence in the Group (depending on the country concerned);
- a mandatory holding period beginning from the definitive vesting date (depending on the country concerned).

24.3.2 Bonus share policy subsequent to the merger

In accordance with the merger prospectus and the provisions of the French Commercial Code (Code de Commerce), all of the commitments undertaken by SUEZ towards beneficiaries of bonus shares have been taken over by the new Group. As with stock options, the beneficiaries' individual rights have been adjusted to take into account (i) the spin-off of 65%of SUEZ Environnement Company to SUEZ shareholders, and (ii) the exchange ratio applicable to the merger (see section 24.2.3).

The Board of Directors' meeting of November 12, 2008 awarded 1.812.548 bonus shares, subject to a vesting period of two or four years depending on the country concerned.

Bonus shares are awarded on the basis of several conditions:

- presence in the Group (except in the event of retirement, death or disability);
- performance condition related to Group EBITDA;
- mandatory holding period of two years as from the final vesting date (from March 15, 2011 to March 15, 2013) in certain countries.

24.3.3 Details of bonus share plans in force

Grant date	Number of shares before merger (*)	Number of shares after merger	Fair value per share
February 2007 plan (SUEZ)	963,074	989,559	36.0
June 2007 plan (GDF)	1,539,009	1,539,009	33.4
July 2007 plan (SUEZ)	2,030,000	2,175,000	37.8 (**)
August 2007 plan (SUEZ)	177,336	193,686	32.1
November 2007 plan (SUEZ)	1,179,348	1,244,979	42.4
May 2008 plan (GDF)	1,586,906	1,586,906	40.31
June 2008 plan (SUEZ)	2,236,965	2,372,941	39.03
November 2008 plan (GDF SUEZ)		1,812,548	28.46 (**)
Balance at December 31, 2008			

(*) Number of shares awarded.
(**)Weighted average.

24.3.4 Valuation model used

In accordance with IFRS 2, the Group estimated the fair value of goods or services received during the period by reference to the fair value of the equity instruments rewarded as consideration for such goods or services.

Fair value was estimated at the grant date, representing the date the Board of Directors approved the award. The fair value of shares awarded corresponds to the market price of the shares at the grant date, adjusted for (i) the estimated loss of dividends during the two-year vesting period, and (ii) the non-transferability period applicable to the shares. The cost of the non-transferability period is not material.

The cost of the plan is recognized in personnel costs on a straight-line basis between the grant date and date on which the conditions for the award are fulfilled, and offset directly against equity. The cost may be adjusted for any revisions to assumptions regarding staff turnover rates during the period or compliance with performance conditions. The final figure will be determined based on the number of shares effectively awarded at the end of said period.

24.3.5 Impact on income for the period

The expense recorded during the period in relation to bonus share plans in force is as follows:

Grant date	Expense for the year		
In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
February 2006 plan (SUEZ)	1.7	8.5	7.5
February 2007 plan (SUEZ)	15.8	13.9	
June 2007 plan (GDF)	12.8		
July 2007 plan (SUEZ)	27.8	12.7	
August 2007 plan (SUEZ)	1.1	0.4	
November 2007 plan (SUEZ)	20.4	2.6	
May 2008 plan (GDF)	14.8		
June 2008 plan (SUEZ)	17.6		
November 2008 plan (GDF SUEZ)	2.6		
TOTAL	**114.6**	**38.1**	**7.5**

Adjustments made to beneficiaries' rights following the merger have no impact on the expense for the period.

24.4 SUEZ exceptional bonus

In November 2006, the Group introduced a temporary exceptional bonus award scheme aimed at rewarding employee loyalty and involving employees more closely in the Group's success. This scheme provides for the payment of an exceptional bonus equal to the value of four SUEZ shares in 2010 and the amount of gross dividends for the period 2005-2009 (including any extraordinary dividends). Since the merger, the calculation has been based on a basket of shares comprising one GDF SUEZ share and one SUEZ Environnement Company share.

Around 166.000 Group employees are eligible for this bonus at December 31, 2008.

The accounting impact of this cash-settled instrument consists in recognizing a payable to the employee over the vesting period of the rights, with the corresponding adjustment recorded in income. At December 31, 2008, the corresponding expense amounted to €5.5 million. The estimated fair value of the liability upon expiry of the plan is €24 million.

NOTE 25 RELATED PARTY TRANSACTIONS

This note describes material transactions between the Group and its related parties.

Compensation payable to key management personnel is disclosed in note 26.

The Group's main subsidiaries (fully consolidated companies) are listed in note 30. Only material transactions are described below.

25.1 Relations with the French State and with the CNIEG

25.1.1 Relations with the French State

Further to the merger between Gaz de France and SUEZ on July 22, 2008, the French State owns 35.7%of GDF SUEZ and holds 7 seats out of 24 on its Board of Directors.

The French State holds a golden share aimed at protecting France's critical interests in the energy sector and ensuring the continuity and safeguarding of supplies. The golden share is granted to the French State indefinitely and entitles it to veto decisions made by GDF SUEZ if it considers they could harm French's energy interests as regards the continuity and safeguarding of supplies.

The merger also marked an end to several oversight procedures relative to economic and financial matters, previously carried out by the French State due to Gaz de France's status as a public company.

Public service engagements in the energy sector are defined by the law of January 3, 2003 and are implemented by means of a public service contract pursuant to the first article of the law of August 9, 2004.

A new public service contract is currently being negotiated with the French State. GDF SUEZ has not identified any risks relating to the absence of any such contract during the negotiation period.

25.1.2 Relations with the CNIEG (Caisse Nationale des Industries Electriques et Gazières)

The Group's relations with the CNIEG, which manages all old-age, disability and death benefits for employees of EDF, GDF SUEZ SA and Non-Nationalized Companies (Entreprises Non Nationalisées - ENN) are described in note 18.

25.2 Transactions with equity-accounted or proportionately consolidated companies

25.2.1 Joint ventures

Gaselys

Gaselys is a joint venture 51%-owned by GDF SUEZ and 49%-owned by Société Générale.

It is a trading company operating on European gas and electricity markets, and is also active on markets for oil and oil products, CO_2 emissions quotas and coal.

GDF SUEZ develops its risk management, asset optimization and trading activities through Gaselys.

In 2008, these activities generated sales and purchases between the Group and its subsidiary amounting to €1,149 million and €2,161 million, respectively.

At year-end, the Group's balance sheet shows a net debit balance of €344 million with its subsidiary, comprising trade receivables and payables, margin calls and derivative instruments. These derivatives are mainly contracted to manage the risks to which the Group is exposed, and result in the recognition of an unrealized loss for €762 million in equity before tax and an unrealized gain for €592 million in income from operating activities.

Acea-Electrabel group (Italy)

Electrabel Italia is a wholly-owned subsidiary of Electrabel and has a 40.59%interest in Acea-Electrabel which itself owns several subsidiaries.

GDF SUEZ sold electricity and gas to the Acea-Electrabel group for an amount of €206.9 million in 2008, compared with €204.2 million in 2007.

GDF SUEZ has also granted loans to the Acea-Electrabel group, in respect of which €389.4 million remained outstanding at December 31, 2008 versus €363.1 million at end-2007.

Zandvliet Power

Zandvliet Power is a 50%-50%joint venture between Electrabel and RWE.

Electrabel granted a loan to Zandvliet Power which stood at €70.1 million at December 31, 2008 versus €77.3 million at December 31, 2007.

Hisusa

To finance the 2007 acquisition of Agbar shares from Torreal, Hisusa (a joint venture 51%-owned by SUEZ Environnement Company and 49%by la Caixa) received a loan from its shareholders, including €104 million from the Group. This loan was repaid at the end of 2008.

25.2.2 Associates

Elia System Operator (ESO)/Elia

Elia is a listed company and is 24.36%-owned by Electrabel.

It was set up in 2001 as grid operator of the high-voltage electricity transmission network in Belgium. Transmission fees are subject to the approval of the Belgian Electricity and Gas Regulatory Commission (CREG).

Electrabel purchased electricity transmission services from ESO/Elia in an amount of €125.1 million in 2008 and €155.6 million in 2007.

The Group rendered services to ESO/Elia for a total amount of €80.0 million in 2008 and €79.5 million in 2007.

At December 31, 2008, outstanding loans granted to Elia totaled €808.4 million (€354.8 million maturing in 2010 and €453.6 million maturing after 2011), amounts unchanged from end-2007. The loan generated interest income of €48.4 million in 2008 versus €41.0 million in 2007.

Inter-municipal companies

The mixed inter-municipal companies with which Electrabel is associated manage the electricity and gas distribution network in Belgium.

Electrabel Customer Solutions (ECS) purchased gas and electricity network distribution rights from the inter-municipal companies in an amount of €1,777.5 million in 2008, compared with €1,704.4 million in 2007.

Only the inter-municipal companies in the Walloon region have no employees. In accordance with the bylaws, Electrabel makes personnel available to them with a view to carrying out network maintenance and distribution services. Electrabel bills the inter-municipal companies for all work, supplies and services provided to them. Amounts billed with respect to this arrangement in 2008 totaled €402.5 million, versus €480.3 million in 2007.

Receivables relating to gas and electricity supply stood at €10.1 million at December 31, 2008, versus €37.2 million at December 31, 2007.

Payables due by Electrabel and Electrabel Customer Solutions to the inter-municipal companies stood at €15.3 million at December 31, 2008, versus €148.9 million at December 31, 2007.

At December 31, 2008, Electrabel had granted cash advances to the inter-municipal companies totaling €317.9 million (€430.1 million at end-2007). Amounts due to the inter-municipal companies by Electrabel came to €263.6 million at December 31, 2008 (€208.4 million at end-2007).

Electrabel's reimbursement right corresponding to the pension provisions set aside in its accounts for distribution employees seconded to Walloon inter-municipal companies totaled €296.5 million at December 31, 2008, versus €309.7 million at December 31, 2007.

Contassur

Contassur is 10%-owned by SUEZ-Tractebel and 5%-owned by Electrabel.

Contassur is a captive insurance company accounted for under the equity method. The pension fund trusts for certain employees of the Group have entered into insurance contracts with Contassur.

These insurance contracts give rise to reimbursement rights, and are therefore recorded under “Other assets” in the balance sheet for €147.2 million at December 31, 2008 and €179.3 million at December 31, 2007.

NOTE 26 EXECUTIVE COMPENSATION

The Group's key management personnel comprise the members of the Executive Committee and Board of Directors in 2008, and the members of the extended Executive Committee and Board of Directors in 2007 and 2006. Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Short-term benefits	23.0	24.5	23.1
Post-employment benefits	4.0	5.8	4.2
Share-based payment	11.5	11.4	6.7
Termination benefits		6.5	
TOTAL	**38.5**	**48.2**	**34.0**

Amounts shown for 2008 correspond to compensation paid by the former SUEZ group up to the merger date, and compensation paid by GDF SUEZ after this date.

NOTE 27 CONTINGENT ASSETS AND LIABILITIES

Other than those described in note 28, the Group has not identified any material contingent liabilities likely to give rise to an outflow of economic benefits. In accordance with IFRS 3, provisions were set aside in the Gaz de France opening balance sheet for contingent liabilities relating to Gaz de France identified at the merger date and for which the outflow of economic benefits has not been regarded as remote.

NOTE 28 LEGAL AND ARBITRATION PROCEEDINGS

The Group is party to a number of legal and arbitration proceedings with third parties or with the tax authorities of certain countries in the normal course of its business. Provisions are recorded for these proceedings when (i) a legal, contractual, or constructive obligation exists at the balance sheet date with respect to a third party; (ii) it is probable that an outflow of resources embodying economic benefits will be required in order to settle the obligation with no consideration in return; and (iii) a reliable estimate can be made of this obligation. Provisions recorded in respect of these legal and arbitration proceedings totaled €1,280.5 million at December 31, 2008.

28.1 Legal proceedings

28.1.1 Rue de la Martre

On December 26, 2004, a gas explosion at 12 rue de la Martre in Mulhouse, France resulted in 17 deaths and significant material damage. The judicial experts' report attributes the cause of the explosion to a "crack" in Gaz de France's distribution pipeline, discovered the day after the explosion and consequently, the company was placed under judicial investigation.

Following the investigation, GDF SUEZ was summoned before the Mulhouse Criminal Court by order dated November 7, 2008, for involuntary manslaughter and injuries, as well as for involuntary destruction of property by fire or explosion. The trial will take place from March 9 to 20, 2009.

The risk incurred by the corporate entity represents a fine for involuntary manslaughter of up to €225,000 in the event of carelessness or negligence, and up to €375,000 in the event of a deliberate breach of a legal or regulatory security requirement. This primary penalty may be combined with a further fine for involuntary injuries, for which the amount varies according to the "ITT rate" (Temporary Work Disability) of the injured persons.

28.1.2 Ghislenghien

Following the leak in one of Fluxys' gas transit pipelines in Ghislenghien, Belgium, on July 30, 2004, which resulted in 24 deaths and over 130 injuries, Electrabel, a GDF SUEZ company, was one of 22 natural or legal persons indicted for involuntary manslaughter and injuries due to failure to take protective or precautionary measures.

The public prosecutor requested that Electrabel, GDF SUEZ Group and Fluxys be summoned before the criminal court for involuntary manslaughter and bodily injuries, as well as for contravening the Act of August 4, 1996 on the welfare of workers. The court dismissed the charges against Electrabel on January 16, 2009.

28.1.3 Queen Mary

Following the collapse of a footbridge leading onto the Queen Mary II ocean liner in St Nazaire on November 15, 2003, as a result of which 15 people died and 30 or so people were injured, a third party claim was brought against Endel, a GDF SUEZ company, with respect to the assembly of hired footbridges leading from the dock to the liner. By decision of February 11, 2008 rendered by the criminal court of Saint Nazaire, Endel was sentenced to a fine of €150,000 for involuntary manslaughter and 11 fines of €2,500 for involuntary injuries. The four employees of Endel charged with involuntary manslaughter and injuries were acquitted in the absence of established misconduct. Les Chantiers de l'Atlantique and Endel were ordered, jointly and severally, to indemnify the victims.

The public prosecutor of Saint Nazaire appealed against the decision and the hearings will take place from March 23 to April 3, 2009.

28.1.4 Electrabel – the Hungarian government/ European Commission

Electrabel filed international arbitration proceedings against the Hungarian state before the International Centre for Settlement of Investment Disputes (ICSID), for breach of obligations under the Energy Charter Treaty. The dispute mainly concerns (i) electricity prices set in the context of a long-term power purchase agreement (PPA) entered into between the power plant operator Dunamenti (a subsidiary of Electrabel) and MVM (a company controlled by the Hungarian state) on October 10, 1995, and (ii) allocations of CO2 emission allowances in Hungary. The arbitration tribunal has temporarily suspended its investigation into certain issues over which the Hungarian state claims it lacks jurisdiction, but has authorized Electrabel to file an additional claim for damages.

The European Commission petitioned the arbitration tribunal for amicus curiae participation on August 13, 2008, pursuant to its June 4, 2008 decision, according to which the Power Purchase Agreement in force at the time of Hungary's accession to the European Union constituted incompatible State aid. Following this decision, the Hungarian state passed a law to end Power Purchase Agreements with effect from December 31, 2008 and took execution measures to end such agreements and recover the related State aid from the power generators. Dunamenti, a GDF SUEZ company, may consider appealing the Commission's decision and any decision of the Hungarian authorities which harms its interests.

28.1.5 Slovak Gas Holding – Slovak Republic

Slovak Gas Holding (SGH) has taken preliminary steps towards international arbitration proceedings against the Slovak State for breach of obligations under (i) the Bilateral Treaty entered into between the Slovak and Czech Republics on the one hand and the Netherlands on the other hand (the "Bilateral Treaty"), and (ii) the Energy Charter Treaty. SGH is held with equal stakes by GDF SUEZ and E. ON Ruhrgas AG and holds a 49%interest in Slovenský plynárenský priemysel, a.s. ("SPP"), the remaining 51%being held by the Slovak Republic through the National Property Fund.

The dispute relates to the legal and regulatory framework, which the Slovak Republic has recently amended or redefined in view of controlling SPP's ability to request price increases to cover gas selling costs.

Discussions are currently underway between the parties. There is also a mandatory six-month discussion period.

28.1.6 Argentina

SUEZ and certain other shareholders of water distribution and treatment concession operators in the greater Buenos Aires area (Aguas Argentinas in Buenos Aires, Aguas Provinciales de Santa Fe in Rosario and Aguas Cordobesas in Cordoba) launched arbitration proceedings against the Argentine state in 2003 before the International Centre for Settlement of Investment Disputes (ICSID) pursuant to the Franco-Argentine Bilateral Investment Protection Treaties. The aim of these proceedings is to obtain compensation for the loss of value of investments made since the start of the concession, due to measures taken by the Argentine government following the adoption of the Emergency Act in 2002, which froze tariffs under concession contracts.

The arbitration proceedings are still underway, except those relating to Aguas Cordobesas. SUEZ sold its controlling interest in Aguas Cordobesas to the private Argentine group Roggio in 2006 and its residual 5%interest to SUEZ Environnement upon the listing of the latter. The arbitral awards should be rendered in 2009.

Alongside the arbitration proceedings, the concession operators have instituted proceedings before the Argentine courts against the decisions by the authorities to terminate the concession contracts which led to the bankruptcy of Aguas Argentinas and the voluntary liquidation of Aguas Provincales de Santa Fe.

Banco de Galicia, a minority shareholder of Aguas Argentinas, which was excluded from the arbitration proceedings, has withdrawn the action it initiated for abuse of majority shareholder power following the buy-back by GDF SUEZ of its interests in Aguas Argentinas and Aguas Provinciales de Santa Fe. The claim filed by an entity entitled »Aguas Lenders Recovery Group», in order to obtain the payment by SUEZ, Agbar and AYSA of US$130 million owed by Aguas Argentinas to unsecured lenders, has also been withdrawn.

Prior to its merger with Gaz de France, SUEZ entered into an agreement with SUEZ Environnement providing for the economic transfer to SUEZ Environnement of the rights and obligations relating to the ownership interest held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

28.1.7 Togo Electricity

SUEZ Energy Services, renamed GDF SUEZ Energy Services, is party to arbitration proceedings instituted in March 2006 before the International Centre for Settlement of Investment Disputes by Togo Électricité, a GDF SUEZ company, against the Togolese State, following the adoption of decrees by the government which terminated the concession contract held by Togo Électricité since December 2000 for the management of Togo's public power distribution service.

The Togolese State took possession of all of the assets of Togo Électricité in February 2006, without indemnification. It instituted several proceedings, including proceedings instituted first against Togo Électricité, then subsequently extended to GDF SUEZ Energy Services, seeking an order for payment by the two companies of compensation between FCFA 27 billion and FCFA 33 billion (between €41 million and €50 million) for breach of contract. However, as the contract contained an arbitration clause, Togo Électricité instituted the arbitration proceedings referred to above.

The first hearings of the arbitration tribunal should take place in May 2009 and an award could be rendered at the end of the year.

28.1.8 Fos Cavaou

By order dated December 15, 2003 in respect of facilities subject to environmental protection (ICPE) the Prefect of the Bouches du Rhône department authorized Gaz de France to operate an LNG terminal in Fos Cavaou. The permit to build the terminal was issued the same day by a second prefectoral order. These two orders have been challenged in court.

The order authorizing the operation of the terminal, issued in respect of ICPE, is subject to two actions for annulment before the Administrative Court of Marseille, one filed by the Association de Défense et de Protection du Littoral du Golfe de Fos-sur-Mer (ADPLGF) and the other by a private individual. No decisions have been handed down to date.

The two actions for annulment of the building permit filed before the Administrative Court of Marseille, one by the Fos-sur-Mer authorities and the other by the Syndicat d'agglomération nouvelle (SAN), were dismissed by the Court on October 18, 2007. The Fos-sur-Mer municipality appealed this decision on December 20, 2007. The appeal is still pending.

28.1.9 United Water

A claim for compensatory damages of US$60 million and punitive damages of the same amount was filed by flood victims residing in the Lake DeForest area (State of New York, USA) against United Water, a GDF SUEZ company, for negligence in the maintenance of the local dam and reservoir.

The claim was filed pursuant to torrential rain, which caused the rainwater drainage system operated by United Water to overflow. United Water is not responsible for maintenance of the dam or the reservoir and considers that the claim should be disallowed.

28.1.10 Squeeze-out bid for the Electrabel shares

On July 10, 2007, Deminor and two other funds initiated proceedings before the Brussels Court of Appeal against SUEZ and Electrabel under which they sought additional consideration following the squeeze-out bid launched by SUEZ in June 2007 on Electrabel shares that it did not already own. By decision dated December 1, 2008, the Court of Appeal ruled that the claim was unfounded.

MM Geenen and others initiated similar proceedings before the Brussels Court of Appeal, which were rejected on the grounds that the application was invalid. A new application was filed, without Electrabel and the Belgian Banking, Financial and Insurance Commission being joined as parties to the proceedings. The case was heard on October 21, 2008 and judgment has been reserved.

28.1.11 Claims by the Belgian tax authorities

The Special Inspection department of the Belgian tax authorities is claiming €188 million from SUEZ-Tractebel SA, a GDF SUEZ company, concerning past investments in Kazakhstan. SUEZ-Tractebel has filed an appeal with the administrative court against these claims which, based on the advice of legal counsel, it considers unfounded.

The Belgian tax authorities also contested the application of the Belgium-Luxembourg convention for the prevention of double taxation to income generated in Luxembourg by the branches EFTM and TCMS and the permanent establishments of the partners of associations en participation (partnerships governed by the laws of Luxembourg) managed by those branches. They notified a €107 million adjustment in respect of financial years 2003 to 2005. The Group considers that the adjustment is unfounded and the subsidiaries concerned have appealed.

28.1.12 Claim by the French tax authorities

In their tax deficiency notice dated December 22, 2008, the French tax authorities questioned the tax treatment of the sale of a tax receivable in 2005 for an amount of €995 million. The company intends to contest the tax authorities' position, which it considers unfounded. Consequently, it has not set aside a provision for the financial consequences of the dispute.

28.1.13 Claim by the US tax authorities (IRS)

The US subsidiary of GSEI was recently subject to a tax audit by the IRS, who rejected the deduction of interest on loans taken out with Group subsidiaries and banks. An adjustment of US$ 260 million was notified in respect of 2004 and 2005. A provision was recorded at December 31, 2008 subject to all reservations and without prejudicial acknowledgement. GDF SUEZ contests both the adjustment and its amount, and will assert its position through any and all legally permissible means.

28.2 Competition and industry concentration

On May 22, 2008 the European Commission announced its decision to open formal proceedings against Gaz de France for a suspected breach of EC rules on abuse of dominant position and restrictive business practices. As the Commission makes clear in its press release, "the initiation of proceedings does not imply that the Commission has proof of an infringement", it only signifies that the Commission will conduct an in-depth investigation of the case. The investigation relates in particular, to a combination of long-term reservation of transport capacity and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity.

GDF SUEZ is currently unable to determine the potential impact of these proceedings initiated by the European Commission.

On June 11, 2008, Gaz de France received a statement of objections from the Commission in which it voices its suspicions of collusion with E.ON resulting in the restriction of competition on their respective markets regarding, in particular, natural gas supplies transported via the MEGAL pipeline. GDF SUEZ filed observations in reply on September 8, 2008. A hearing took place on October 14, 2008 following which the decision of the European Commission is still pending. GDF SUEZ will continue to provide the European Commission with its full cooperation in the course of the proceedings and shall assert its rights in full.

On December 17, 2008, the Group received a statement of objections in the case regarding its acquisition of Compagnie Nationale du Rhône. The European Commission claims that GDF SUEZ failed to announce the business combination at the end of 2003 when, according to the Commission, the Group knew it had acquired control. The Group filed observations in reply on February 16, 2009. The outcome of the proceedings will have no impact on the Group's acquisition of Compagnie Nationale du Rhône, which the Commission approved on April 29, 2008, as only procedural aspects (time limits) are being questioned. GDF SUEZ is currently unable to determine the potential impact of these proceedings initiated by the European Commission.

Alongside its energy sector inquiry, on which the final report was presented on January 10, 2007, the Commission completed its review of systems with respect to long-term agreements signed during the privatization of electricity-producing companies in Hungary and Poland. It has asked the Hungarian and Polish governments to review these systems and, where necessary, to indemnify the parties to the agreements. The Group is directly concerned by this move, in its capacity as contracting party in Hungary (Dunamenti) and in Poland (Polaniec). The agreement in Poland terminated on the contractually agreed date. In Hungary, discussions with the government are still in progress regarding the financial consequences of the termination of the agreement with MVM on January 1, 2009.

The European Commission also started an investigation on the term of the electricity supply contracts entered into by certain European producers in their historical markets. Electrabel is cooperating fully with the Directorate-General for Competition on this issue. The inquiry into the rise of gas prices (retail supply contracts) initiated by the rapporteurs of the Belgian Antitrust Council announced by Electrabel Customer Solutions at the beginning of summer 2007 has been completed. The rapporteurs did not find any indication that Electrabel had infringed competition rules.

In its decision of July 11, 2002, the French Antitrust Council ruled that the existence of equal stakes in water distribution companies held by Compagnie Générale des Eaux (a subsidiary of Veolia Environment) and Lyonnaise des Eaux France (a subsidiary of SUEZ Environnement) created a collective dominant position between the two groups. Although the French Antitrust Council did not impose sanctions against the two companies, it requested the French Minister of the Economy to order the two companies to modify or terminate the agreements under which their resources are combined within joint subsidiaries in order to lift the barrier to competition. As part of the Minister of the Economy's investigation, the two companies were asked to unwind their cross-holdings in these joint subsidiaries. As of the date of publication, Lyonnaise des Eaux France and Veolia Eau-Compagnie Générale des Eaux have decided to comply with the Minister's decision and entered into an agreement in principle to this effect on December 19, 2008.

GDF SUEZ is not aware of any other legal or arbitration proceedings which are likely to have, or have recently had, a material impact on the financial position, results of operations, business or assets of the Company or the Group.

NOTE 29 SUBSEQUENT EVENTS

29.1 Three bond issues

- From January 7 to January 8, 2009 GDF SUEZ issued a €4.2 billion bond transaction which was over subscribed more than two times.

  The issue consists of:

  - a 3-year tranche for €1.75 billion, maturing on January 16, 2012 and paying interest of 4.375%;
  - a 7-year tranche for €1.5 billion, maturing on January 18, 2016 and paying interest of 5.625%;
  - a 12-year tranche for €1 billion, maturing on January 18, 2021 and paying interest of 6.375%.
- Between January and February 2009, GDF SUEZ has successfully issued a public bond on the Belgian and Luxembourg markets for €750 million. Originally announced for a minimum of €150 million, it was over subscribed four times and closed for new subscriptions two weeks before the scheduled date.

  The bonds were issued at 102%for a six-year term maturing on February 23, 2015 and paying interest of 5%.
- On February 3, 2009, GDF SUEZ carried out a bond issue for £700 million, maturing on February 11, 2021 and paying interest of 6.125%.

29.2 Completion of the SPE sale

On January 20, 2009 GDF SUEZ completed the sale to Centrica of all of its shares in Belgian company Segebel (representing 50% of Segebel's issued capital). Segebel holds 51%of SPE.

The transaction amounts to €515 million. A contingency payment could be made when the contracts between SPE and the Group go to effect following commitments made by the Group to the Belgian Government.

This transaction enables GDF SUEZ to complete its commitments towards the European Commission in regards to the merger of Gaz de France and Suez.

29.3 Financing agreement in Brazil

The Brazilian development bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) approved a 20-year loan of BRL 7.2 billion (approximately €2.44 billion) for the Energia Sustentavel do Brasil consortium to finance the Jirau project, a new 3,300 MW hydroelectric power station. The loan covers 68.5%of the €3.3 billion investment required for the new plant. In May 2008, a consortium formed around GDF SUEZ (50.1%interest) bid BRL 71.4 (€27.5) per MWh for a 30-year agreement with electric power distributors, representing €9.6 billion in guaranteed revenues over 30 years starting in 2013.

NOTE 30 LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2008

		%interest			%control			Consolidation method		
Company name	Corporate headquarters	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Energy France										
COMPAGNIE NATIONALE DU RHÔNE (CNR) [(a)]	2, rue André Bonin 69004 Lyon - France	49.9	49.9	49.3	47.9	47.9	47.9	FC	FC	FC
GDF SUEZ SA - ELECTRICITY DIVISION	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF SUEZ SA - SALES DIVISION	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
SAVELYS	5, rue François 1er 75418 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC

(a) See note 12.

		%interest			%control			Consolidation method		
Company name	Corporate headquarters	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Energy Benelux & Germany (EEI)										
ELECTRABEL NEDERLAND NV	Dr. Stolteweg 92, 8025 AZ Zwolle, Netherlands	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
ELECTRABEL NEDERLAND SALES BV	Dr. Stolteweg 92, 8025 AZ Zwolle, Netherlands	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
ELECTRABEL DEUTSCHLAND AG	FriedrichstraBe 200, 10117 Berlin, Germany	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
ÉNERGIE SAARLORLUX Gmbh	Richard Wagner Strasse 14 - 16, 66111 Saarbruck - Germany	51.0	51.0	50.3	51.0	51.0	51.0	FC	FC	FC
ELECTRABEL	Boulevard du Regent, 8 - 1000 Brussels - Belgium	100.0	100.0	98.6	100.0	100.0	98.6	FC	FC	FC
ELECTRABEL CUSTOMER SOLUTIONS	Boulevard du Regent, 8 - 1000 Brussels - Belgium	95.8	95.8	60.0	95.8	95.8	95.8	FC	FC	FC

		%interest			%control			Consolidation method		
Company name	Corporate headquarters	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Energy Europe (EEI)										
DUNAMENTI	Erömü ut 2, 2442 Szazhalombatta - Hungary	74.8	74.8	73.8	74.8	74.8	74.8	FC	FC	FC
ELECTRABEL POLSKA SA	Zawada 26, 28-230 Polaniec - Poland	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
TEESSIDE POWER LTD	Greystone Road - Grangetown - Middlesbrough TS6 8JF - United Kingdom	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
ROSIGNANO ENERGIA SPA	Via Piave N° 6 Rosignano Maritimo - Italy	99.5	99.5	98.1	99.5	99.5	99.5	FC	FC	FC
ACEA Electrabel group (b) (c)	Piazzale Ostiense, 2, 00100 Rome - Italy	40.6	40.6	40.0	40.6	40.6	40.6	PC	PC	PC
TIRRENO POWER SPA	47, Via Barberini, 00187 Rome - Italy	35.0	35.0	34.5	35.0	35.0	35.0	PC	PC	PC
SOCIÉTÉ DE DISTRIBUTIONS GAZ NATUREL DISTRIGAZ SUD S.A.	Bld Marasesti, 4-6, sector 4 - Bucharest - Romania	40.8	0.0	0.0	40.8	0.0	0.0	FC	NC	NC
EGAZ DEGAZ Zrt	Pulcz u. 44 - H 6724 - Szeged - Hungary	99.7	0.0	0.0	99.7	0.0	0.0	FC	NC	NC
SLOVENSKY PLYNARENSKY PRIEMYSEL (SPP)	Mlynské Nivy 44/a - 825 11 - Bratislava - Slovakia	24.5	0.0	0.0	24.5	0.0	0.0	PC	NC	NC
AES ENERGIA CARTAGENA S.R.L.	Ctra Nacional 343, P.K. 10 - El Fangal, Valle de Escombreras - 30350 Cartagena - Spain	26.0	0.0	0.0	26.0	0.0	0.0	FC	NC	NC
GAZ DE FRANCE ESS (UK) Ltd	1 City Walk - LS11 9DX - Leeds - United Kingdom	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
CASTELNOU	Calle General Castanõs 4 - 3a planta, 28004 Madrid - Spain	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
SYNATOM	Avenue Ariane 7 - 1200 Brussels	100.0	100.0	98.6	100.0	100.0	100.0	FC	FC	FC
ELECTRABEL ITALIA SPA	Via Orazio, 31I - 00193 Rome - Italy	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
VENDITE - ITALCOGIM ÉNERGIE SPA	Via Spadolini, 7 - 20141 Milan - Italy	60.0	0.0	0.0	60.0	0.0	0.0	FC	NC	NC

(b) Ownership interest in the ACEA/Electrabel holding company.

(c) ALP Energia Italia was included in the accounts of ACEA Electrabel group in 2006.

Company name	Corporate headquarters	%interest			%control			Consolidation method		
		Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Energy International (EEI)										
TRACTEBEL ENERGIA (formerly GERASUL)	Rua Antônio Dib Mussi, 366 Centro, 88015-110 Florianopolis, Santa Catarina - Brazil	68.7	68.7	68.7	68.7	68.7	68.7	FC	FC	FC
ENERSUR	Av. República de Panamá 3490, San Isidro, Lima 27 - Peru	61.7	61.7	61.7	61.7	61.7	61.7	FC	FC	FC
GLOW (THAILAND)	195 Empire Tower, 38th Floor-park Wing, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 - Thailand	69.1	69.1	69.1	69.1	69.1	69.1	FC	FC	FC
BAYMINA	Ankara Dogal Gaz Santrali, Ankara Eskisehir Yolu 40.Km, Maliöy Mevkii, 06900 Polatki/ Ankara - Turkey	95.0	95.0	95.0	95.0	95.0	95.0	FC	FC	FC
SUEZ ENERGY GENERATION NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SUEZ LNG AMERICA	One Liberty Square, Boston, MA 02109 - United States	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SUEZ ENERGY MARKETING NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SUEZ ENERGY RESOURCES NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC

Company name	Corporate headquarters	%interest			%control			Consolidation method		
		Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Global Gas & LNG										
E.F. OIL AND GAS LIMITED	33 Cavendish Square - W1G OPW - London - United Kingdom	22.5	0.0	0.0	22.5	0.0	0.0	PC	NC	NC
GDF SUEZ E&P UK LTD (GDF BRITAIN)	60, Gray Inn Road - WC1X 8LU - London - United Kingdom	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF SUEZ E&P NORGE AS	Forusbeen 78 - Postboks 242 - 4066 Stavanger - Norway	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF PRODUCTION NEDERLAND BV	Eleanor Rooseveltlaan 3 - 2719 AB Zoetermeer - Netherlands	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF SUEZ E&P DEUTSCHLAND GBMH	Waldstrasse 39 - 49808 Linden - Germany	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF SUEZ SA - NÉGOCE	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF INTERNATIONAL TRADING	2, rue Curnonsky 75015 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GAZ DE FRANCE ENERGY DEUTSCHLAND GmbH	Friedrichstrasse 60 - 10117 Berlin - Germany	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GDF SUPPLY TRADING MARKETING NL BV	Eleanor Rooseveltlaan 3 - 2719 AB - Zoetermeer - Netherlands	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GASELYS	2, rue Curnonsky 75015 Paris - France	51.0	0.0	0.0	51.0	0.0	0.0	PC	NC	NC
SUEZ LNG LIQUEFACTION SA	Avenue de la Liberté, 76 L-1930 Luxembourg Grand Duchy of Luxembourg	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC

		%interest			%control			Consolidation method		
Company name	Corporate headquarters	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Infrastructures										
GDF SUEZ's ownership interest in Fluxys has now been reduced to less than 45%, in accordance with commitments made by the Group with respect to the European Commission.										
FLUXYS GROUP	Avenue des Arts, 31 - 1040 Brussels - Belgium	44.8	57.2	57.2	44.8	57.2	57.2	EM	FC	FC
STORENGY	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
ELENGY	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GrDF	6, rue Condorcet 75009 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GRTGAZ	2, rue Curnonsky 75015 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
ELIA SYSTEM OPERATOR - ESO	Boulevard de l'Empereur 20 - 1000 Brussels - Belgium	24.4	24.4	27.1	24.4	24.4	27.5	EM	EM	EM
GAZ DE FRANCE DEUTSCHLAND GmbH	ATRIUM - Friedrichstrasse 60 - 10117 Berlin - Germany	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC

Company name	Corporate headquarters	%interest			%control			Consolidation method		
		Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
Energy Services										
ELYO	1, place des Degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
ELYO ITALIA	Via Miramare, 15 20126 Milan - Italy	60.0	60.0	60.0	60.0	60.0	60.0	FC	FC	FC
AXIMA France	46, Boulevard de la Prairie du Duc - 44000 Nantes - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
AXIMA AG	12, Zürcherstrasse - 8401 Winterthur - Switzerland	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
CPCU	185, Rue de Bercy - 75012 Paris - France	64.4	64.4	64.4	64.4	64.4	64.4	FC	FC	FC
FABRICOM SA	Rue de Gatti de Gamond, 254 - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
ENDEL	1, place des Degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
FABRICOM GTI SA	Rue de Gatti de Gamond 254 - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
GTI GROUP	Hogeweg 35A - 5301 LJ Zaltbommel - Netherlands	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
INEO	1, place des Degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
GROUPE COFATECH	Bâtiment Séquoïa - 129, avenue Barthélémy Buyer - 69005 Lyon - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC

Company name	Corporate headquarters	%interest Dec. 2008	%interest Dec. 2007	%interest Dec. 2006	%control Dec. 2008	%control Dec. 2007	%control Dec. 2006	Consolidation method Dec. 2008	Consolidation method Dec. 2007	Consolidation method Dec. 2006
Suez Environnement										
GDF SUEZ holds 35%of SUEZ Environnement Company and exercises exclusive control through a shareholders' agreement representing 47%of its share capital. Accordingly, SUEZ Environnement Company is fully consolidated.										
SUEZ ENVIRONNEMENT	1, rue d'Astorg 75008 Paris - France	35.5	100.0	100.0	35.5	100.0	100.0	FC	FC	FC
LYONNAISE DES EAUX France	11, place Edouard VII - 75009 Paris - France	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
DEGREMONT	183, avenue du 18-Juin 1940 - 92500 Rueil-Malmaison - France	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
HISUSA	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona - Spain	18.1	51.0	51.0	51.0	51.0	51.0	PC	PC	PC
AGBAR [(d)]	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona - Spain	16.3	51.0	25.9	51.0	51.0	48.5	PC	PC	PC
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES - United Kingdom	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA DEUTSCHLAND GmbH	Industriestrasse 161 D-50999, Cologne - Germany	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbis 7009, NL - 6801 HA Amhem - Netherlands	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA France	123, rue des Trois-Fontanot - 92000 Nanterre - France	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA SVERIGE AB	Kungsgardsleden - 26271 Angelholm - Sweden	35.5	75.0	75.0	100.0	75.0	75.0	FC	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca - Morocco	18.1	51.0	51.0	51.0	51.0	51.0	FC	FC	FC
UNITED WATER RESOURCES	200 Old Hook Road, Harrington Park New Jersey - United States	35.5	100.0	100.0	100.0	100.0	100.0	FC	FC	FC

(d) Agbar is fully consolidated by Hisusa, which in turn is proportionately consolidated by GDF SUEZ (see note 2).

Company name	Corporate headquarters	%interest Dec. 2008	%interest Dec. 2007	%interest Dec. 2006	%control Dec. 2008	%control Dec. 2007	%control Dec. 2006	Consolidation method Dec. 2008	Consolidation method Dec. 2007	Consolidation method Dec. 2006
Other Services										
SUEZ-TRACTEBEL	Place du Trône, 1 - 1000 - Brussels - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
GDF SUEZ SA - HOLDING FUNCTIONS	22, rue du Docteur Lancereaux 75008 Paris - France	100.0	0.0	0.0	100.0	0.0	0.0	FC	NC	NC
GIE - SUEZ ALLIANCE	16, rue de la Ville l'Evêque - 75383 Paris Cedex 08 - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SUEZ FINANCE SA	16, rue de la Ville l'Evêque - 75383 Paris Cedex 08 - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
COSUTREL	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
GENFINA	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SI FINANCES	68, rue du Faubourg Saint Honoré - 75008 Paris - France	0.0	100.0	100.0	0.0	100.0	100.0	NC	FC	FC

Company name	Corporate headquarters	%interest Dec. 2008	%interest Dec. 2007	%interest Dec. 2006	%control Dec. 2008	%control Dec. 2007	%control Dec. 2006	Consolidation method Dec. 2008	Consolidation method Dec. 2007	Consolidation method Dec. 2006
Anti-trust Remedies										
The deconsolidation of Distrigas was effective as of October 1, 2008 under the terms of the sale agreement with ENI.										
DISTRIGAS	Rue de l'Industrie, 10 - 1000 Brussels - Belgium	0.0	57.2	57.2	0.0	57.2	57.2	NC	FC	FC
DISTRIGAS & Co	Rue de l'Industrie, 10 - 1000 Brussels - Belgium	(e)	57.2	57.2	(e)	100.0	100.0	NC	FC	FC

(e) Distrigas & Co was sold to Fluxys on June 30, 2008 in accordance with the commitments made by the Group with respect to the European Commission. Accordingly, it has been accounted for by the Fluxys group using the equity method as of July 1, 2008.

FC: Full consolidation (subsidiaries).

PC: Proportionate consolidation (joint ventures).

EM: Equity method (associates).

NC: Not consolidated.

A Public Limited Company with a share capital of €2,193,643,820
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