

GDF Suez Energy International Business Areas and the combined entities (together “GDF Suez Energy International”) Combined Financial Information reflects the combination of GDF SUEZ Energy North America, Energy Latin America and Energy Middle East, Asia & Africa entities together with entities in the United Kingdom and in the distribution activities in Turkey.

As described in note 1 of GDF Suez Energy International Combined Financial Information for the years ended December 31, 2007, 2008 and 2009, the Combined Financial Information was prepared, in the context of a contemplated carve-out transaction to be updated and completed, based on financial information previously included in GDF SUEZ financial statements. Therefore, the accounting policies of GDF SUEZ have been applied to the Combined Financial Information when applicable.

The basis of preparation of these Combined Financial Information, including the basis of combination, is detailed in note 1 to the Combined Financial Information for the year ended December 31, 2009, 2008 and 2007.

GDF Suez Energy International has not in the past formed a separate legal group. Because of the conventions used to prepare the Combined Financial Information, these Combined Financial Information are not necessary identical to consolidated financial statements that would have been issued if GDF Suez Energy International had operated as a separate group in the past. Further, they do not take into account potential consequences of the carve-out transaction, such as any potential tax consequences of any future financial transaction or potential parent company equity contribution.

### **Summary of certain differences between International Power’s and GDF SUEZ’s accounting principles**

Under European regulation 1606/2002 International Power and GDF SUEZ are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

IFRSs may allow various options for the recognition, measurement and presentation of transactions, events or condition in the financial statements. The management also exercise its judgement in developing and applying an accounting policy in the absence of an IFRS that specifically applies to a transaction, other event or condition.

Therefore, the IFRS accounting principles applied by International Power may differ in certain significant respects from those applied by GDF SUEZ.

The discussion below qualitatively summarizes certain differences between the IFRS accounting principles applied by International Power and GDF SUEZ based on a preliminary analysis of their consolidated financial statements as issued for the year ended December 31, 2009. These differences were identified as potentially having an impact on the measurement or presentation of the consolidated financial statements of the two Groups, on the basis of International Power and GDF SUEZ Financial statement as published for the year ended December 31, 2009.

No comprehensive analysis or quantification of the impacts of accounting policy differences has been jointly conducted by the two Groups. Had such an analysis been completed, other potential significant accounting differences may have been identified. Accordingly, there can be no assurance that these are the only differences in accounting principles applied by International Power and GDF SUEZ.

Differences between the two groups' disclosures have not been addressed in the discussion below.

### **Accounting for joint ventures**

IAS 31 *Interest in Joint Ventures* allows the accounting for joint ventures under the equity method or the proportionate consolidation method.

International Power accounts for its joint ventures using the equity method as explained in note 1(o) of its 2009 consolidated Financial Statements. GDF SUEZ applies the proportionate consolidation (refer to note 1.4.1 of its 2009 Financial Statements).

When proportionate consolidation is used, the share of joint ventures' income, expenses, assets, liabilities and cash flows are presented in the different lines of the Income statement, the Statement of financial position, and the Statement of cash flows. Under the equity method, the share in the joint ventures' income, expenses, assets and liabilities is aggregated in a single line item in the Statement of income and the Statement of financial position.

Additionally, under the equity method, losses of the joint ventures in excess of the group's interest in joint ventures are not recognised unless the group has a legal or constructive obligation to fund those losses. No such limitation exists when applying the proportionate consolidation.

Furthermore, impairment loss recognised on goodwill cannot be subsequently reversed in applying the proportionate consolidation method. Under the equity method, any impairment loss of the investment is not allocated to goodwill and can be reversed subsequently in the Income statement.

### **Accounting for concessions**

IFRIC 12 "Service Concession Arrangements" is effective in Europe for annual accounting periods beginning on 1 January 2010, with early adoption permitted. This interpretation sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. Under IFRIC 12 operators' rights over infrastructure operated under concessions arrangements should be accounted for either using the intangible asset model or financial asset model depending on the existence of payment guaranteed by the grantor.

International Power has not applied IFRIC 12 in its Financial Statements for the period ended December 31, 2009. International Power's management considers that the impact of adopting IFRIC 12 is not expected to have a material impact on its consolidated financial statements as

long-term power purchase agreements which are affected by the adoption of IFRIC 12 are already determined to be or to contain finance leases, and the consideration receivable by the operator in each case gives rise to financial assets<sup>1</sup>.

GDF SUEZ early adopted IFRIC 12 on January 1, 2006<sup>2</sup>.

### **Accounting for employee benefits**

Different policies are allowed by IAS 19 *Employee Benefits* for the recognition of actuarial gains and losses.

Until December 31, 2008, International Power recognised the actuarial gains and losses on defined post employment benefits using the corridor method. In 2009, International Power elected to use the option available under IAS 19 and discontinued the corridor method. Actuarial gains and losses are henceforth recognised in Other Comprehensive Income<sup>3</sup>.

GDF SUEZ elected to recognise actuarial gains and losses in Other Comprehensive Income in 2006<sup>4</sup>.

Accordingly, there is no difference in the accounting for actuarial gains and losses between the two groups in their consolidated financial statements ended December 31, 2009. Such difference exists in financial statements issued up to December 31, 2008.

In addition to the differences between the two set of accounting principles described above, certain significant presentation differences are presented below.

### **Presentation of financial statements**

IAS 1 *Presentation of Financial Statements* requires the presentation of certain specific items on the face of financial statements as a minimum. However the standard allows entities to present additional line items, headings and subtotals when such presentation is relevant to an understanding of the entities' financial statements.

In addition, IAS 1 and other standards may allow for various alternatives regarding the presentation of transactions, events or conditions in the financial statements.

### ***Income Statement***

IAS 1 requires entities to present an analysis of expenses in the income statement using a classification based on either their nature or their function within the entity. Entities are also required to disclose separately the nature and amount of material items of income or expense.

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<sup>1</sup> refer to note 1 (c) of International Power Consolidated Financial Statements as of December 31, 2009

<sup>2</sup> refer to note 1.1.1 of GDF SUEZ Consolidated Financial Statements as of December 2009

<sup>3</sup> refer to note 1.d) of International Power Consolidated Financial Statements as of December 31, 2009

<sup>4</sup> refer to note 1.4.15.1. of GDF SUEZ Consolidated Financial Statements as of December 31, 2009

International Power presents expenses analysis in the income statement based on their function whereas GDF SUEZ presented this analysis based on the nature of the expenses.

International Power presents its income statement in three columns for each period: (i) Results excluding exceptional items and specific IAS 39 mark to market movements (i.e. the left column) (ii) Exceptional items<sup>5</sup> and specific IAS 39 mark-to-market movements (i.e. the middle column) (iii) Results for the year (i.e. the right column).

International Power presents the following main subtotals in the income statement:

- Gross profit presenting the difference between group revenue and cost of sales;
- Profit from operations which included the share of results of joint ventures and associates, other operating income and other operating expenses. Other operating income includes compensation for the late commissioning of plants, billing in respect of operations and maintenance services, profit on sale of development sites and dividends. Other operating expenses comprise corporate costs, group-wide general administrative overheads and project development expenses.
- Profit before tax is stated after disposals of interests in businesses, finance income and expenses.

GDF SUEZ presents one column for each period on the Income Statement. Analyses of other income and expenses equivalent to International Power's middle column is presented on different lines after Current Operating Income.

GDF SUEZ does not present a subtotal equivalent to International Power's Gross profit. Regardless of the effect of any differences in accounting principles, GDF SUEZ's subtotal Current operating income might approximate the line "Profit from operations" in the left column of International Power's Income statement after (i) deduction of the share of results of associates presented by GDF SUEZ below Income from operating activities and (ii) reclassification of pension interest cost and return on plan assets presented by GDF SUEZ in Net financial expenses (see below).

Income from operating activities in GDF SUEZ Income Statement includes operating items presented by International Power in its income statement middle column and might therefore be comparable to the line Profit from operations in the right column of International Power's Income statement after (i) deduction of share of results of associates (ii) reclassification of pension interest cost and return on plan assets and (iii) addition of Disposals of interests in businesses included by GDF SUEZ in Income from operating activities and presented by International Power below Profit from operations.

### *Pension costs*

As allowed under IAS 19, International Power has elected to present interest cost and the expected return on pension plan assets within operating income together with current service costs.

GDF SUEZ elected to present the interest cost and expected return on related pension plan assets as a financial expense separately from current service cost which is presented in operating income.

### **Statement of cash flows**

IAS 7 *Statement of Cash flows* allows for various classifications for the reporting of cash flows from certain transactions, such as interests paid or received.

International Power presents certain purchases/sales of property, plant and equipment (those related to maintenance) within operating cash flows whereas GDF SUEZ presents all purchases/sales of property, plant and equipment within investing activities.

International Power presents interests paid and received within operating cash flows whereas GDF SUEZ presents interest received on non-current financial assets within investing activities and other interests paid and received within financing activities.

### **Judgements in applying accounting policies**

In the process of applying accounting policies, management makes various judgements (apart from those involving estimates which are not presented in this document), that may significantly affect the financial information.

The main critical judgements made by International Power and GDF SUEZ management in applying accounting policies as of December 31, 2009 are respectively disclosed in note 37 and note 1.3.2. to the financial statements as of December 31, 2009. Based on those disclosures, judgements which may significantly affect the financial statements relate mainly to assessment of whether the conditions to apply hedge accounting are met and the identification of commodity purchase and sale “own use” contracts as defined by IAS 39, concession contracts (IFRIC 12), the classification of arrangements which contain a lease (IFRIC 4 and IAS 17), the evaluation of levels of control and influence (IAS 27, IAS 31, IAS 28 and SIC 12) and the identification of elements to be separately disclosed in the income statement.

Therefore the judgement exercised by each group may be a source of significant divergences that may affect significantly the financial statements.

### **First time adoption of IFRS**

According to EU regulation, International Power and GDF SUEZ issued their first consolidated financial statements prepared in accordance with IFRS as adopted by the EU as of December 31, 2005. The date of transition to IFRS is January 1, 2004 for the two groups.

International Power and GDF SUEZ have elected for the same options and exemptions permitted by IFRS 1 *First-time adoption of International Financial Reporting Standards* except for the measurement of property plant and equipment. International Power has elected to measure the property, plant and equipment of its US operations at the date of transition to IFRS's at its fair value and use that fair value as its deemed cost at that date.

Transitional options applied by International Power and GDF SUEZ can be presented as follows:

- (i) International Power and GDF SUEZ have elected to apply the IFRS 1 exemption, in relation to business combinations, to apply IFRS 3 (Business Combinations) prospectively from 1 January 2004. As a result, the carrying amount of goodwill under respectively UK GAAP and French GAAP at 31 December 2003 is the deemed cost of goodwill at 1 January 2004.
- (ii) The two groups have elected to adopt the IFRS 1 option which permits the cumulative foreign currency translation reserve to be deemed zero at 1 January 2004.
- (iii) With respect to pension obligations, the cumulated actuarial gains and losses were recognised in full as at 1 January 2004, with a corresponding adjustment to reserves.
- (iv) IFRS 2 (Share-based Payments) have been applied to equity instruments that were granted on or after 7 November 2002.
- (v) The two groups have taken the exemption from the requirement to restate comparative information for IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* and have applied these standards prospectively from 1 January 2005 with no restatement of comparatives.